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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1933.

No. 440

BENJAMIN F. LINDHEIMER, ERNEST J. KRUETGEN, ANDREW OLSON, G. GALE GILBERT, PHIL. W. COLLINS, PAUL SAMUELL and CHARLES E. BYRNE, the persons constituting the Illinois Commerce Commission of the State of Illinois, and OTTO KERNER, Attorney General of the State of Illinois,

Appellants,

and

CITY OF CHICAGO, a municipal corporation,

Appellant,

vs.

ILLINOIS BELL TELEPHONE COMPANY,

Appellee.

APPEAL FROM DISTRICT COURT OF THE UNITED STATES, FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION (3746).

APPENDIX TO APPELLANTS' BRIEF AND ARGUMENT.

APPELLEE'S RATE-MAKING HISTORY.

Western Union Contract of 1879.

Prior to 1879 the National Bell and the Western Union held rival telephone patents, both companies operated directly and through licensed exchanges in over 75 cities in the United States (R. II, 1913-1917); they were also contesting the validity of their patents. In 1879 the controversy was settled by a Contract (O.R. VI, 1887) referred to herein as the Western Union Contract.

The contract, to which the Western Union was the "First Party" and the "National Bell" the "Second Party," contained the following:

> "ARTICLE 12. (1) The right to all uses of the telephone on wires of a district or exchange system is to remain exclusively with the party of the second part excepting such temporary suspension of the application of this contract to certain localities, as has been already herein provided for.
>
> (2) For the purpose of this contract, it is agreed that an "exchange" or a "district or exchange system" applies to a system in which different stations on the same or different circuits, and either within any city or town, or within a radius of fifteen miles of a central office (or within wider limits, where existing contracts have granted wider limits), are connected with such central office or branch offices within said territory for the purpose of placing subscribers or other parties by such circuits in communication with such central or branch offices, or with each other, either directly or through the agents of the system.
>
> ARTICLE 13. (1) The right to connect telephonic district or exchange systems for the purpose of personal conversation between persons at the instruments, and the right to use telephones on all lines not forming a part of a telephonic district or exchange system for such personal conversation (except so far as licenses

for private lines are to be granted to the party of the first part under Article 14) are to remain exclusively with the party of the second part, and those licensed by it for the purpose.

Appellee's Original License Contract of 1881.

In 1881 the American Bell and the Western Union licensee operating in Chicago (*Western Union Tel. Co.* v. *American Bell Tel. Co.*, 187 Fed. 425, 464), joined to transfer their business to Appellee to be organized and operated under an American Bell license contract issued in the same year (O.R. VI, 1926).

By this contract Appellee was granted a perpetual exclusive license to use the telephone to do a telephone business in seven counties in Illinois and in two counties in Indiana (Sec. 2) (O.R. VI, 1925, 1926) for "all purposes for which the Licensor has or shall have the right to use" the same under the Western Union Contract, i. e., for exchange, local toll service and connecting company service. The rent and royalty to the American Bell for the use of the telephone was 50 per cent of the rental charge made by Appellee to its customers for the use of the telephone (Sec. 9) (O.R. VI, 1928). The American Company received no additional compensation from the local toll or connecting company services.

Section 10 provided:

> "In case the Licensor, its successors, or grantees, shall desire to connect points within said territory, with points outside said territory they shall have the right to connect with or avail themselves of the lines and facilities of the party of the second part (Appellee) or its licensees, owners of exchanges or public lines making a reasonable and suitable division of the tolls and profits of such extra-territorial and through

business; and if or so far as said licensee or its sublicensees shall not have or shall not furnish suitable lines and facilities, then said American Bell Telephone Company may within said territory construct such lines and use such telephones as may be necessary for such purposes" (Connecting Line Toll Service and Long Distance Service: O.R. VI, 1929).

1891 Contract.

By 1891 the American Company had extended its lines to Chicago (O.R. V, 1739) where Appellee had for ten years operated its local exchange, local toll and connecting company services. Then serving a million people in Chicago alone, with over 6,600 telephones in service (O.R. VI, 2299), Appellee's entire business was done over what was known as a "grounded magneto line," not practically adaptable for long distance service as developed by the American Company (*Chicago Tel. Co.* v. *Ill. Mfg. Assn.*, 106 Ill. App. 54). From the beginning long distance service has been established on metallic circuits (O.R. V, 1739).

In 1891, the American Company and Appellee entered into a contract (O.R. VI, 1934) declared to be a temporary modification of some of the provisions of and "to provide more explicitly for certain details of operation" of the license contracts held by both companies, but "was not to violate any provision thereof." It was to continue for a minimum period of one year and until terminated by thirty days' notice by either party.

Appellee agreed:

1. To build, equip and maintain, and to make available for long distance service (a) special terminal loops from its several local exchange offices "to such points within the districts of the various exchanges as the Ameri-

can Company may from time to time direct''; (b) a sufficient number of public pay stations to meet the reasonable needs of the public for long distance service; and (c) its subscribers' stations.

2. To bill, collect, and settle the account in each case.

The American Company agreed to pay Appellee for all of these services, a specific sum per month for each terminal loop, plus 30% of the cash receipts from business originating at public pay stations, not to exceed 20c per connection, and 15% of the cash receipts from business originating at subscribers' stations, not to exceed 10c per connection. This basis of compensation was predicated on (a) the American Company's paying the labor cost of the operators at the exchange offices to switch the local lines on to the long distance or toll board, and (b) the American Company's paying to Appellee reimbursement of the actual expense of operation, plus 10% thereof, should Appellee be required to operate property owned by the American Company.

Note: (1) the compensation to Appellee was for the use of all of its necessary facilities in fact used in the long distance service from and including the exchange stations to the toll board or toll trunks (exchange plant facilities), and not merely for billing, collecting and settling the charges; (2) the compensation was subject to modification from time to time by request of either party according to the standard prescribed by Section 10 of the Original License Contract of 1881.

1889 Chicago Telephone Franchise.

The Chicago Telephone Franchise, accepted by Appellee in 1889, and in effect for twenty years thereafter, provided that Appellee "during the term for which this ordinance is granted, shall not increase to its present or future subscribers the rates for telephone service now established, and provided, also, that with the acceptance hereinafter required, there shall be filed by said Company a schedule showing the rates charged by said Company for telephone service at the date of the passage of this Ordinance within the limits of the City of Chicago" (R. V, 3623). In 1889 there was in force for $125 a year a flat rate service known as the "grounded line" service, which entitled the subscribers to unlimited exchange service, plus the right to use the Chicago exchange plant facilities to connect for local toll service (*Chicago Tel. Co.* v. *Ill. Mfg. Assn.*, 106 Ill. App. 54).

To carry out the provisions of the Original License Contract of 1881 and the 1891 Contract relating to long distance service, Appellee at great expense substituted metallic circuits for grounded lines from exchange stations to the central offices (*Chicago Tel. Co.* v. *Ill. Mfg. Assn.*, 106 Ill. App. 54). Appellee then offered its Chicago subscribers a "metallic circuit" service at a flat charge of $175 a year. This service gave to the subscriber the unlimited exchange service plus the right to use the exchange plant facilities to connect for local toll service to the same extent as had been given under the "grounded line" service, plus the right to use the exchange plant facilities in originating or in receiving long distance communications over the wires of the American Company. But the Appellee was enjoined from increasing its flat yearly charges

beyond $125, the court holding that the exchange service subscriber was not entitled, as part of the service, for which the flat rate of $125 had been established prior to 1889, to the right to use, without extra charge, the exchange plant facilities for personal *long distance communications* over the wires of the American Company (*Chicago Tel. Co.* v. *Ill. Mfg. Assn.*, 106 Ill. App. 54); that the 1889 Franchise prohibited any increase in the exchange service rate to cover such long distance use as part of the exchange service.

1907 Telephone Franchise.

A new telephone franchise was put into effect in Chicago in 1907 (R. V, 3624) and another in 1913 (R. V, 3639), establishing schedules of flat and measured rates for exchange service in Chicago. The particular rates are set out in tabular form in City Exhibit 93 (O.R. VI, 2134). These schedules were in effect until June 16, 1919, when the Postmaster General put new rates into effect during the period of government control, all of which were on a measured service basis (*infra*, 12).

The 1907 Franchise divided the exchange service rates into three classifications (R. V, 3625, 3627, 3628): business, residence and nickel prepaid service. It then subdivided the business service (R. V, 3625) into (a) flat rate service at a flat yearly charge for unlimited use of the line and (b) metered message rate service at a monthly charge for a single party line, "including a specified number of outgoing conversations or messages over said line" and a specified graduated per conversation or message charge for all "conversations or messages" in excess of the number specified in said ordinance. The rates for residence

telephones (R. V, 3627) were established at maximum flat rates for single and two party lines "including all outgoing messages," and "nickel prepayment service" with outgoing messages, at 5 cents each, as follows:

> "One party line, at a guaranty of 20 cents per day, including four messages.
>
> Two party line, at a guaranty of 12½ cents per day, including three messages," etc.

The Franchise also provided that Appellee should install meters "in connection with every measured service line of its lessees and subscribers which shall prove effective in actual use for accurately and correctly recording the number of outgoing messages or conversations over said line" (R. V, 3631); that Appellee could establish a "neighborhood exchange service" in the suburban districts and subscribers to that service were allowed to communicate with subscribers in the metropolitan area of the city by "a message for which a charge of not more than 5 cents may be made for each period or a fraction thereof" (R. V, 3629). The Franchise also provided for (R. V, 3630):

> "Toll Service."
>
> Said Chicago Telephone Company shall not charge more than 10 cents for each conversation or message up to three minutes in duration (and not more than 5 cents for each additional minute), transmitted from any telephone located within the City of Chicago to any other telephone which is located outside the City of Chicago but within fifteen miles of the present City Hall in said City of Chicago or within 1 mile of the City limits and within the State of Illinois."

The Franchise also provided for extension telephones and for terminals from the subscribers' premises to a switchboard or lines outside his premises but in the City limits at a specified charge. It provided for directory listings and delivery free of charge; that no charges be made

for incoming calls except in the case of toll or long distance messages where the subscriber agrees to accept a "reverse" charge; that no charge be made except for transmitted messages or conversations (R. V, 3632-3).

The Franchise also provided for compensation to be paid to the City of Chicago equal to 3% of the gross receipts of the Appellee, including (R. V, 3624):

> "All moneys received by said Chicago Telephone Company for service, communication and messages from the exchanges, offices, stations or telephones of the said Company or of its lessees, subscribers, or patrons, located within the City of Chicago to any exchanges, offices, stations or telephones now or hereafter owned, operated or leased by or to said Company outside the City of Chicago (commonly known and designated as "toll" service, communication or messages), together with all moneys received by said Chicago Telephone Company, as its share of the gross receipts for service, communication and messages between the exchanges, offices, stations or telephones of the said Company, or of its lessees, subscribers or patrons located within the City of Chicago and any exchange, offices, stations or telephones of any other company or person outside said City of Chicago (commonly known and designated as 'long distance' service, communication or messages), shall, for all the purposes of this ordinance, and particularly for the purpose of computing the compensation semi-annually due the City of Chicago hereunder be deemed and treated as a part of the gross receipts from the 'business done by said Chicago Telephone Company within the City of Chicago.'"

The Franchise also provided (R. V, 3634):

> "The said Chicago Telephone Company shall not at any time enter into any agreement or combination with any Company heretofore existing or hereafter created concerning the price to be charged by said Chicago Telephone Company in the City of Chicago for telephone service or equipment."

The Franchise reserved the right in the City to further regulate rates and services (R. V, 3638).

1913 Telephone Franchise.

Pursuant to the reservation of the 1907 Franchise in respect to future regulation, the City of Chicago passed an ordinance on May 26, 1913 (R. V, 3639):

> "for the purpose of fixing the maximum rates for telephone service which may be charged by said Chicago Telephone Company for a period of five years from and after the passage of the Ordinance."

The Franchise modified the 1907 Franchise in that it confined the flat rate business service rate established by the 1907 Franchise to present subscribers only; provided for charges for change in style of instrument, removals where less than a year's service was furnished; provided for additional classes of coin box service and for a push button or other device to be attached to the box to call the operator in case of emergency where the nickel coin box service requires the deposit of a nickel to raise the operator (R. V, 3640-53).

Chicago Exchange Service Rate Schedules Filed With Public Utilities Commission January 27, 1914.

Pursuant to the above provisions, Appellee filed with the Public Utilities Commission on January 27, 1914, its schedules of Chicago exchange service rates in force July 1, 1913, as fixed by the 1907 and 1913 Telephone Franchises (R. VIII, 4922c). Included as part of said Chicago exchange rate schedules it also filed a sheet entitled "Regu-

lations." As a part thereof appears the following paragraph:

> "*Exchange Service (City or Neighborhood)*—Subscribers to Chicago Exchange System service may, on the terms of their contracts, transmit local messages to all exchange telephones located within the limits of the City of Chicago. Subscribers to Neighborhood Exchange service may transmit local messages to all exchange telephones within the limits of the Neighborhood Exchange in which their telephones are located.
>
> A local message is a communication not exceeding five minutes' duration between subscribers' stations within the same exchange limits. By ordinance of the City of Chicago and these regulations the subscriber, the Company and its lessees and patrons, are forbidden to charge any person more than five cents for a single conversation or message transmitted to any point within the City of Chicago from any telephone furnished under the contract of which these regulations are a part. The use of classes of service is restricted by said ordinance and these regulations, as follows:
>
> Flat rate business service is furnished for the use of subscribers and their employees only in their business.
>
> Flat rate residence service is furnished for the use of subscribers and their families only at their residence.
>
> Measured service is furnished for business use of subscribers and their employes only in their business or for residence use of subscribers and their families only at their residence and for the use of any extra name users on the same premises as may be contracted for by the subscribers.
>
> Nickel coin box service business or residence is for the use of subscribers (and others permitted by the subscribers) upon depositing proper coins" (R. VIII, 4922C).

Chicago Exchange Rate Schedule Filed May 2, 1917.

On May 2, 1917, Appellee filed with the Public Utilities Commission a new schedule of Chicago Exchange service rates to replace the schedule filed January 27, 1914, above described. This new filing was stated by Appellee to be for the purpose of having on file a consolidated schedule and not to change the substance thereof. Such schedule contained as part thereof a sheet of "Regulations" on which appeared the identical paragraph as that above quoted, which appeared in the sheet filed on January 27, 1914 (R. VIII, 4922b).

Stein v. The Chicago Telephone Company.

Prior to July 15, 1918, one Meyer J. Stein filed a formal complaint with the Public Utilities Commission that among others

(a) Appellee's Chicago exchange service rates discriminated in favor of the flat rate subscribers against the measured meter rate subscribers; and

(b) the intrastate toll rates were discriminatory as between communities.

After hearings on the bill of complaint and the answer of the Appellee, the Commission issued an order on July 15, 1918, finding that discrimination existed in the exchange service rates and toll rates and directed that Appellee file with the Commission for its approval a schedule of reasonable rates for both classes of service in Appellee's territory within and without the City of Chicago, eliminating therefrom all discriminations of any kind as among, between, or against individuals, communities, or municipalities (R. VIII, 4814b-c). While the case was pending on ap-

peal to the Supreme Court of Illinois (*Utilities Commission* v. *Chicago Tel. Co.*, 287 Ill. 447), the Postmaster General under Congressional authority, took over on July 31, 1918, for the duration of the War, Appellee's property and operations. The Commission's order was sustained by the Supreme Court of Illinois in April, 1919 (*Idem*).

Postmaster General's Administration, August 1, 1918-July 31, 1919.

Upon taking charge the Postmaster General continued in effect the exchange service rates and toll rates of Appellee theretofore filed with the Commission and in force (R. VIII, 4814-D). Thereafter he directed that Appellee put into effect new toll rates which became effective June 6, 1919, and new exchange service rates which became effective June 16, 1919 (R. VIII, 4814c-d).

The Chicago Exchange rate schedules of June 16, 1919 eliminated the flat rate service, and increased the existing meter rates. The schedules as filed did, however, contain the same provision in respect to the scope of Chicago exchange service as was contained in the Schedule filed in 1914 and above quoted (*supra*, 10), excepting only that reference to Neighborhood Exchange Service was eliminated.

The Toll Rate Schedules effective June 6, 1919 (R. VIII, 4814c), provided for various classes of intrastate toll service, including station-to-station service, person-to-person service, appointment calls, and messenger appointment calls, as therein defined (R. VIII, 4938a).*

*The said schedules also contained "Rates for special service," including therein

"Long Distance Terminals.

Leased Wire Terminal Loops.

Furnished at Chicago Telephone Company Exchange points in connection with other companies lease wire service. No terminal instrument included."

According to said schedule:

> "The term station-to-station service is defined as a connection between any two telephones (including private branch exchange switchboard operator) and does not contemplate the establishment of conversation between particular individuals. Under station-to-station rates a charge for a message is made where a connection is established with the called person."

The rates for such service were stated under the heading "Message Rates (Station-to-Station Basis)."**

Nowhere in the Toll Rate Schedule, or in any Regulations or Statements Filed as a part thereof does there appear any statement or provision, express or implied, that the service covered by the rate therein contained did not include the furnishing for the use of the patron of the Chicago exchange plant facilities, or that the rates therein contained do not compensate Appellee for the intrastate toll use of the Chicago exchange plant facilities.

The Act of Congress of July 11, 1919, in effect July 31, 1919, provided as of August 1, 1919, that the properties should be returned to their owners and that the toll rate and exchange rate schedules then in effect were to remain in force until December 1, 1919, unless sooner modified or changed by local public authorities having jurisdiction thereover (R. VIII, 4814d).

**This schedule (R. VIII, 4938a) shows the filing mark "July 16, 1919"—and was filed as part of Appellee's petition of that date to maintain in force pending final hearing "rates, charges and classifications which are filed herewith, being the same and identical with the rates, charges and classifications now charged and collected in the territory aforesaid by the applicant herein as agent of the Government of the United States" (R. VIII, 4814h).

Case 9291.

Appellee's Petition July 16, 1919.

On July 16, 1919, Appellee filed an application with the Public Utilities Commission of Illinois for temporary authority to put into force the exchange service rates and toll rates then in effect as established by the Postmaster General in June, 1919, and as appeared in schedules attached to said petitions (R. VIII, 4814a-h).* In said petition Appellee stated:

> "12. That the rates and schedules for local exchange service in the City of Chicago, put in effect by the applicant on June 16, 1919, by direction and as agent of the United States Government, abolished certain kinds of service referred to by this applicant under the provisions of the ordinance of the City of Chicago herein referred to, eliminating all discriminatory rates arising from the continuation of the flat rate contracts to certain subscribers, and placed all subscribers on a measured service basis; that during the month of June and the month of July, 1919, the applicant pursuant to orders from the United States Government, has made and will make numerous changes in equipment and apparatus necessary to furnish service in accordance with the new schedules and that it will be impossible for the applicant to return to a flat rate schedule without return to discriminatory rates and without great expense and serious inconvenience to the public in the City of Chicago" (R. VIII, 4814g).

*The Toll Rate Schedule is shown on R. VIII, 4938a; the Chicago Exchange Service Schedule on R. VIII, 4922a.

Commission's Temporary Order of July 31, 1919.

On July 31, 1919, the Public Utilities Commission issued an order suspending the schedules for toll and exchange service rates filed as part of Appellee's petition of July 16, 1919, and ordered:

(1) that Appellee "charge and collect for local service rendered by it to its subscribers and patrons within the City of Chicago" the rates established by the Postmaster General June 16, 1919, except that "all patrons and customers using coin box or nickel service in Class 4 C. R.—being four-party line residence service, shall be entitled to thirty messages per month at a guaranty of $1.50 monthly instead of forty messages for two dollars per month" as prescribed by the Postmaster General's schedules and a four cent charge for additional messages.* The new rate was the rate in force prior to the Government control (R. VIII, 4476-83).

(2) that Appellee charge for its intrastate toll service the Postmaster General's rates excepting that the rates for appointment calls and person-to-person calls should be at the same rates as the therein station-to-station service rates.

Appellee accepted the Order and on August 1, 1919, filed new Toll Tariffs and Chicago Exchange Rate Schedules (R. VIII, 4922a).

Note:

(1) Nowhere in the Complete Toll Rate Schedule as filed does there appear any statement or provision, express or implied, that the service covered by the rate schedules therein contained did not include the furnishing for the

*The order covered also exchange service rates outside Chicago.

use of the patrons of the Chicago exchange plant facilities, or that the rates therein contained did not compensate Appellee for the intrastate toll use of the Chicago exchange plant facilities.

(2) The Chicago Exchange Service Schedules contained the same definition of Exchange Service and defined its scope (above stated, *supra,* 10), as was contained in the schedules filed as part of the petition (R. VIII, 4922a, I. P. U. C. No. 42-A—Sheet 4).

(3) Neither in the petition of Appellee of July 16, 1919, nor in the schedules filed pursuant to the Order of July 31, 1919, did Appellee indicate that it intended to make the 1919 Revision applicable to the Chicago exchange service rates in respect to the uses of the Chicago exchange plant facilities in the American Company's services.

Petition of November 15, 1919.

On November 15, 1919, Appellee filed another petition in Case 9291, which had been consolidated with Case 8672 covering exchange service rates outside Chicago. In this petition it showed its earnings in the entire territory and set forth (R. VIII, 4939):

> (1) "That the rates in effect June 16, 1919, in the City of Chicago, and continued in effect by said order of July 31, 1919, for business and all classes of residence subscribers, except four party, have not been in operation a sufficient length of time to show the full effect, on revenue, of a rate based on the number of calls per month as compared with the rate which had been in effect in the City of Chicago (for a limited number of subscribers originating a large amount of traffic), which rate allowed an unlimited number of calls for a fixed charge per annum, and that said business or residence rates should be continued in effect

temporarily, so that it may be determined whether the revenues therefrom will increase or decrease.

That out of a total of 377,136 subscribers in the City of Chicago, 275,685 have four-party residence service at the minimum rate for any class of service; that under the present schedule, this rate is a guarantee of five cents per day, including one outgoing message, additional messages four cents each, and is the same rate which had been in force since 1913, notwithstanding the greatly increased operating expenses of the applicant since that dates; that it would be unjust and unreasonable to continue said rate in effect when the rates for all other classes of service have been increased and that the effect of continuing said rate will be to create an unreasonable difference as to rates between classes of service, contrary to the provisions of the Public Utilities Act of Illinois; that the rate of four-party line residence service of a guarantee of 6½ cents per day, including one and three-tenths outgoing messages, which was in effect from June 16, 1919, to July 31, 1919, was insufficient, and that the rate for four-party residence subscribers should be increased to a guarantee of 7½ cents per day including one and one-half outgoing messages, additional mesages four cents each,—so that this class of subscribers will bear their proportionate part of the greatly increased operating expenses of the applicant since the year 1913, and, particularly, in recent years and since the filing of the petition on July 16, 1919; that said rate for four-party residence service is just and reasonable and should be put into effect temporarily.

That the present rates for long distance service within the State of Illinois are unjust and unreasonable, in that they are not based on the proper relation between the cost to the applicant and the value to the subscriber of the different classes of long distance service given under said order of July 31, 1919, and that the rates for long distance service filed July 16, 1919, for all classes of said service are just and reasonable and should be put into effect.

That the charges under the present schedules for the installation and moving of telephones are unjust and

unreasonable, in that they do not assess the cost of said moves and changes against the subscribers originating the expense thereof, and contain other discriminatory features; that the charges for the installation and moving of telephones in the schedules filed July 16, 1919, are just and reasonable and should be put into effect."

Appellee requested temporary authority, pending final hearing

(1) to charge and collect from "local service" in Chicago the rates then in effect except that the subscribers and parties using the coin box four-party line residence service (Class 4-C) should guaranty 7½ cents per day, including one and one-half outgoing messages, additional or excess messages to be charged for at four cents each;

(2) to restore the person-to-person and appointment call toll services as shown in the schedule filed originally with its petition of July 16, 1919.

Commission's Temporary Order of November 29, 1919.

The Commission's order of November 29, 1919 (R. VIII, 4476-83)

(1) denied Appellee's petition for increase in the four-party line service, on the ground that not sufficient evidence had been introduced as to the effect of that service;

(2) granted Appellee's request to put into effect the toll rate schedule attached to the petition of July 16, 1919, in respect to person-to-person calls and appointment calls, but suspended the balance of the Toll schedule.

(3) "That in view of the short time in which the rates for the applicant have been in effect in the City of Chicago upon a measured service basis, it is desirable that said measured rates be continued so that their

full effect on the Company's revenues may be determined" (R. VIII, 4480).

Schedules Filed December 1, 1919.

Appellee accepted the temporary order of November 29, 1919, and filed Chicago Exchange Rate Schedules and Toll Rate Schedules on December 1, 1919, to conform thereto (R. VIII, 4922e).

Petition of May 21, 1920.

On May 21, 1920, Appellee filed with the Commission in Case 9291, a petition for a temporary order pending final hearing to increase the measured exchange service rates in Chicago covering two and four-party coin box residence services, one and two-party coin box business service, single measured business service, also to establish new M Trunk Measured Business Auxiliary, Business Extensions and P. B. X. Terminals and Service Connection Charges (R. VIII, 4483-98a).

In this petition Appellee made the following representations:

> "This applicant further states that the following tables show the prior, present and proposed rates for the different classes of services set forth in Exhibit E as shown by the evidence in this proceeding:
>
> *4 C. R. Four Party Coin Box Residence*
>
> "This class of service has been in effect in the City of Chicago since the year 1907; the rate for said service from 1907 to 1913 was a guarantee of five cents per day, including one outgoing message, additional messages at the rate of five cents each; in 1913 the guarantee was continued, but the rate for additional messages decreased to four cents each; this rate has con-

tinued in effect up to and including the present time, with the exception that for a period of about six weeks at the end of Federal control, the rate was temporarily increased to a guarantee of 6½ cents a day, including one and three-tenths outgoing messages.

The proposed rate is a guarantee of eight cents per day, including one and six-tenths outgoing messages, additional messages at the rate of five cents each; the percentage of subscribers in the City of Chicago having four party nickel residence service has been increased from 34 per cent in 1908 to 73 per cent in 1919; the number of stations was 278,506 on August 1, 1919."

2 C. R. Two Party Coin Box Residence

"This class of service has been in effect in the City of Chicago since the year 1907; the rate for said service from 1907 to 1913 was a guarantee of ten cents per day, including two outgoing messages, additional messages at the rate of five cents each; in 1913 the guarantee was continued, but the rate for additional messages decreased to four cents each; this rate was continued in effect up to and including the present time, no change having been made during Federal control.

The proposed rate is a guarantee of 12½ cents per day, including two and five-tenths outgoing messages, additional messages at the rate of five cents each. The number of two party nickel residence subscribers was 5,084 March 1, 1920.

2 C. B. Two Party Coin Box Business.

"This class of service has been in effect in the City of Chicago since the year 1907; the rate for said service from 1907 to 1913 was a guarantee of 12½ cents per day, including two and five-tenths outgoing messages, additional messages at the rate of five cents each; in 1913 the guarantee was continued, but the rate for additional messages decreased to four cents each: this rate has continued in effect up to and including the present time, no change having been made during Federal control.

The proposed rate is a guarantee of fifteen cents per day, including three outgoing messages, additional

messages at the rate of five cents each; the number of subscribers in the City of Chicago having two-party nickel business service was 27,245 March 1, 1920.

1 *C. B. One Party Coin Box Business.*

"This class of service has been in effect in the City of Chicago since the year 1907; the rate for said service from 1907 to 1913 was a guarantee of twenty cents per day, including four outgoing messages, additional messages at the rate of five cents each; in 1913 the guarantee was continued, but the rate for additional messages decreased to four cents each; this rate has continued in effect up to and including the present time, no change having been made during Federal control.

The proposed rate is a guarantee of twenty cents per day, including four outgoing messages, additional messages at the rate of five cents each; the number of subscribers in the City of Chicago having one party nickel business service was 5,792 March 1, 1920.

1 *M. B.—Single Measured Business.*

"This class of service has been in effect in the City of Chicago since the year 1907; the rate for said service from 1907 to 1913 was a guarantee of $60 per annum, including 1,200 outgoing messages, additional messages at a scale declining to a minimum charge of two cents per message; in 1913 the guarantee was reduced to $48 per 960 messages, but the minimum charge was continued at two cents per message. This rate continued in effect up to June 16, 1919, when the following scale was put into effect:

$4.00 per month for a guarantee of 80 messages.
5c each for next 20 additional messages.
4c each for next 100 additional messages.
3c each for next 100 additional messages.
2½c each for all other additional messages.

"The proposed rate is the same as the present schedule with the minimum excess message rate increased from two and one-half cents to three cents per message; on March 1, 1920, there were 32,374 direct single measured business lines and 6,276 private branch exchanges in the City of Chicago.

"That the schedule of rates and charges herein set forth is fair and reasonable; that the effect of having increased the rates of certain classes of service and having continued in effect the rates for other classes of service without increase and at rates which have been in effect since the year 1913 results in discrimination as between classes of service and operates to prevent the proper development of the company's business, which, if continued, will cause injury to this applicant; that is particularly true with reference to the rates for 4 party coin box service, affecting the largest class of the company's subscribers in the City of Chicago, which have remained unchanged since the year 1913, notwithstanding greatly increased operating expenses."

Commission's Temporary Order of June 19, 1920.

That the Commission issued a temporary Order on June 19, 1920, 8 I. P. U. C. 888 (1920), appears from the correspondence of Appellee indicating its action in compliance therewith (R. VIII, 4923). What its terms were does not appear in the record. Nor is reference thereto made in the Commission's final order of December 20, 1920.

Schedule Filed June 25, 1920.

Pursuant to the Order of June 19, 1920, Appellee filed with the Commission on June 26, 1920, effective July 1, 1920, schedules covering the Chicago Exchange Service Rates. Among these were I. P. U. C. 565, Sheet 2, entitled "Regulations" (R. VIII, 4918-21) in which is repeated the paragraph on "Exchange Service" in the identical language of the same paragraph in the Schedule Sheet attached to the petition of June 16, 1919, and identical to the language of the sheet filed on January 27, 1914 (*supra*, 10).

Commission's Final Order of December 20, 1920.

On December 20, 1920, the Commission issued its Final Order in Case 8672 respecting the exchange service charges outside Chicago, and in Case 9291 respecting the exchange service charges in Chicago (O.R. IV, 1281). The Order recited that it did not cover the toll rates because its previous order of November 29, 1919, had disposed of that subject matter. The Order speaks of rates for "long distance service" (O.R. IV, 1283) when referring to the interstate toll rates of Appellee covered by the Order of November 29, 1919, and to "rates for local and long distance telephone service" when referring to the schedules filed by Appellee as part of its original petition of July 16, 1919 (O.R. IV, 1281).

The Order did not grant Appellee the entire increase in Chicago exchange service rates desired by Appellee and as contained in a proposed schedule filed by it on November 8, 1920. It suspended these proposed schedules and ordered Appellee to put in force, effective January 1, 1921, measured service rates in Chicago which were less than Appellee had proposed but more than Appellee had been charging.*

In connection with the four-party coin box service rates, the Commission said:

> "The present schedules of rates herein authorized restores the service to a five cent basis, per call."

The Order also covered charges for "extension line, private line, and long distance terminals," directory listing, and issue of directories.

*The revenues of Appellee, from its Chicago exchange service, which Appellee allocated to the intrastate and interstate services, were collected from the rates established by this Order.

The Commission reserved jurisdiction for further proceedings.

Schedules Filed December 27, 1920.

On December 27, 1920, Appellee filed its schedule of Chicago Exchange Rates in conformity with the Order of December 20, 1920. As part of said schedule it filed I. P. U. C. I. sheet 2 (R. VIII, 4911-3), identical to the sheet I. P. U. C. 565 Sheet 2 of June 25, 1920, already described, excepting that the name of Appellee was changed from Chicago Telephone Company to Illinois Bell Telephone Company.

Commission's Order of August 16, 1923, Case 11184.

The Order of August 16, 1923, attacked herein states:

> "the 17 cents originating commission which is paid to the Illinois Bell Telephone Company is the only compensation which this company receives for the use and operation of its exchange property in connection with the calls sent or received over the lines of the American Telephone and Telegraph Company. The record shows that the 17 cents commission was determined in 1910 from a study made at that time of the cost of performing this service. Since that date the cost of operation and cost of plant used has increased, and the record also shows that both the American Company and the Chicago Company have increased their telephone rates to a considerable extent within this period of time.
>
> The Commission believes that this matter should be fully investigated and an equitable adjustment made to the end that a greater part of the toll charges be paid to the Illinois Bell Telephone Company. There are not sufficient facts in this record to permit of making a proper adjustment and in this order the Commission will estimate revenues from such source on the basis now in effect" (O.R. I, 38-9).

1925 Revision of Toll Schedule Filed September 5, 1925.

On September 5, 1925, while the proceeding was pending before the District Court on the Bill of Appellee to enjoin the Order of August 16, 1923, Appellee transmitted to the "Section Rates and Tariffs" of the Commission a letter in which it said:

> "Desiring to give you a more complete Toll Rate Schedule, we have prepared and are forwarding you herewith Ill. C. C. No. 2, Sheets 1 to 32, inclusive, Schedule of Toll Rates, which cancels and replaces I. P. U. C. No. 1, Schedule of Toll Rates. Schedule Ill. C. C. No. 2 makes no change in our toll rate schedule or practices. * * *.
>
> "As stated above, this new schedule makes no change in our toll rate schedule or practices and we would respectfully request your Honorable Commission to accept it, to be effective as of September 10, 1925" (R. VIII, 4923-4).

As part of said Schedule Ill. C. C. No. 2, appellee filed Ill. C. C. No. 2, Original Sheet No. 2, canceling I. P. U. C. 1. Illinois C. C. No. 2 was entitled "Illinois Bell Telephone Company—Schedule of Toll Rates," and contained the following statements (referred to herein as 1925 Revision):

GENERAL

> The service covered by these tariffs consists in furnishing for the use of patrons facilities, other than exchange facilities, intended for use in telephonic communication between the points listed. The exchange facilities used in connection with this service are the facilities required to establish connection between an exchange station and the toll board, or between an exchange station and the toll trunks, when such trunks are employed to effect connection with the Toll board, and the use of such facilities is covered by the charges for exchange service.

CLASSIFICATION OF TOLL SERVICE.

The following classes of toll service are furnished:

Station to Station Service.

"A Station-to-Station Call is one on which the person originating the call does not specify a particular person be reached at the called station but gives only the number of the telephone station desired or the name or address under which the telephone is listed.

Note: A call which would otherwise be a Station-to-Station Call is classed a Person-to-Person Call, if request is made to reverse the charges.

Person-to-Person Service.

A Person-to-Person Call is one on which the person originating the call specifies a particular person (or an extension station to be reached at the called place). Under certain conditions a partial charge (known as a "Report Charge") is made where it is impossible to establish communication on a Person-to-Person Call."

It does not appear that the Intrastate Toll Rates were modified.

1926 Revision of Toll Schedule Filed October 1, 1926.

The 1925 Revision was replaced by another on October 1, 1926, but the above statements were not changed (R. VIII, 4898-4900).

Chicago Exchange Schedule Filed October 31, 1927.

On October 31, 1927, Appellee filed I. P. U. C. 1 Revised Sheet No. 2, cancelling the original I. P. U. C. Sheet No. 2, filed December 27, 1920, above described (R. VIII, 4913-6). The new sheet did not change the wording of the paragraph "Exchange Service" stated in the previous sheet.

CONTRACTS COVERING TOLL SERVICES.
ORIGINAL LICENSE CONTRACT OF 1881
(Supra, p. 2).

LICENSE CONTRACTS PRIOR TO 1918.

Form 109D—Exchange Contract.

The Standard forms of license contracts are reproduced in R. V, 3536-48.* Separate license contracts were given for exchange service and for extra-territorial connecting service. Exchange contract form 109D** granted perpetual license to do a telephone business in exchange systems only, and then only in those located within specified areas (Exchange Service). As royalty for this limited use the licensee paid a portion of the gross instrumental rental charged its exchange subscribers. For extra-territorial connecting services of any kind the exchange licensee was obligated:

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*In State ex rel. Southwestern Bell Tel. Co. v. Public Service Commission of Missouri, 262 U. S. 276 (hereinafter referred to as Missouri Case), reference is made to the standard forms in connection with the Original Contract between the American and Licensee Companies attached to the Contract with the Postmaster General (Rec. Missouri Case, 130), and also in connection with the contract between the American Company and the plaintiff (hereinafter referred to as the Missouri Company). (Rec. Missouri Case, 322). In the Western Union Litigation (supra, 174) the Standard forms are used as the basis on which the accounting is sought and enforced (Western Un. Tel. Co. v. American Bell Tel. Co., 187 Fed. 425, 449). Under Standard Form 113D (R. V, 3548-57) the toll licensee becomes obligated to assume the exchange license contracts then outstanding and those to be issued in Contract form 109D (R. V, 3539-48). In the license contract to the American Company covering long distance service, that company becomes obligated to assume the exchange contracts then outstanding and those to be issued thereafter in Contract Form 109D (O. R. VI, 1990). The standard forms of the license contracts were part of the record in the Houston Case 259, U. S. 318 (Rec. Houston Case, Vol. II, 878, 895).

**Form 109C was also used (R. V, 3536-48) but does not differ in substance from Form 109D.

(a) to turn over all such messages originating from customers at exchange stations to the American Bell (or its grantees), exclusively. This latter company was to have the right to prescribe the rates to be charged and to make use of the exchange facilities to route the messages from the station through the exchange offices onto the wires of the American Bell (or of its grantee);

(b) to bill, collect, and settle the toll account;

(c) to permit the use of the exchange plant facilities for the purpose of completing messages coming over the wires of the American Company (or of its grantee) to its customers at exchange stations;

(d) to accept as full payment for all of the above exchange services rendered to the extra-territorial connecting service 15% of the tolls of messages originating within the exchange system, such compensation not to exceed 5 cents per message of less than five minutes' duration.

Form 113D* Contract for Extra-Territorial Connecting Lines.

Standard Form 113D, Contract for Extra-Territorial Connecting Lines, was issued by the American Bell to licensees and in 1894 issued a license to the American Company for long distance service (O.R. VI, 1990) substantially as provided in Form 113D. This Form 113D contract required the licensees:

(a) to assume the obligations to pay the exchange licensee the portion of the toll charges required by the Exchange contracts already issued and by those (which were to be in the form of Exchange Contract Form 109D) to be

*Form 113C was also used (R. V, 3548-57) but it does not differ from Form 113D in any respect.

paid for the use of necessary exchange facilities in connection with extra-territorial connecting service;

(b) to pay the American Bell a percentage of the gross toll charges, ranging from 15% to 25%; and

(c) to establish toll rates on a prescribed basis which should be not less than certain specified minimum rates. For these payments the licensee was granted the right to:

> "construct lines between exchanges in said territory and to use such lines for telephonic personal communication between a customer in one such exchange district and a customer in another such exchange district * * * but the lessee shall connect with each local exchange and do its business, so far as the same can, in the opinion of the lessor, conveniently be so done, with the customers thereof through said exchange, unless the American Bell Telephone Company, or its successors, shall decide that the exchange fails to furnish proper facilities" (R. V, 3539-48).

Where contract Form 113D was issued to a company holding contract Form 109D for exchanges, it could render an exchange service, a local toll service and connecting company service, and/or a connecting company toll service between its exchanges and those of its sublicensees.

CONTRACT OF 1891 (Supra, 3).

1894—100 Mile Contract.

In 1894 The Central Union Company, a licensee which operated, among others, the properties in Illinois outside the territory of Appellee, granted to the American Company the right to do the intrastate connecting company business between certain cities within its territory and cities outside of its territory, including Chicago (R. VIII,

4894-5). The American Company from 1894 to 1924 carried on this intrastate toll business in Illinois.

1896 Modification.

In 1896 the basis of compensation to Appellee prescribed in the 1891 Contract was changed to an "arbitrary terminal commission of 12c per paid long distance message" originating at all stations of Appellee. The change was made to avoid the complication and expense of figuring the commission on each message and was to be modified "from time to time as an investigation of the account disclosed that this payment should be increased or diminished" (O.R. VI, 1938).

1899 Modification.

In 1899 a study was made of six months' commissions to Appellee for long distance messages from all stations on the basis of compensation prescribed in the 1891 Contract. The average payment being $.1198 per connection, the parties adopted 12c per message (paid or free) originating at all stations of Appellee as the basis of settlement, "subject to revision upon request of either party" (O.R. VI, 1940, 1941).

1917 Modification.

In December, 1917, "in view of the extraordinary conditions due to the state of war," the basis of compensation to Appellee and to four other licensees operating in surrounding territory for subscriber station business was changed from 15%, not to exceed 10c, to 25%, not to exceed

12c, per originating message, and for public pay station business from 30%, not to exceed 20c, to 50%, not to exceed 24c per originating message (O.R. VI, 1972). The 1917 Modification was not applicable to Chicago, "as to which special conditions obtain" (O.R. VI, 1973).

TOLL TRUNK ARRANGEMENT.

As the Chicago exchange grew, Appellee developed branch exchange offices from which special trunks were built direct to the toll switchboard for long distance service, and other special trunks for local toll and extra-territorial connecting service. For the use of these trunks in the long distance service, the American Company, prior to 1911, paid a flat annual rental (O.R. V, 1740). In that year, the two companies agreed to use the same trunks. As the annual rental paid by the American Company prior thereto averaged 5c per paid originating long distance message, the parties adopted 5c per paid originating message as the compensation to Appellee for the use in the long distance service of the toll trunks (O.R. VI, 1942). No further study or change in arrangement was made to February 1, 1919, or thereafter.

LONG LINES PLANT ARRANGEMENT.

Prior to 1911 the American Company had built up, owned, and operated its own long lines plant in Chicago for its long distance service. Between 1911 and 1913 Appellee purchased that plant and took over its operating employees (O.R. VI, 1944). Appellee then agreed (a) to lease to the American Company that plant, plus the neces-

sary additions thereto, which it agreed to provide from time to time (all referred to herein as the long lines plant); and (b) to operate the long lines plant under rules prescribed by the American Company. As compensation therefor, the American Company agreed to pay the actual monthly expenses, plus 10%; and, as rental, to pay the maintenance, taxes and depreciation calculated on a fixed percentage basis of book cost of plant, plus 10% of the average monthly book cost of plant. No period of duration for the arrangement was specified; the arrangement was declared to be in lieu of the "reasonable and suitable division of the tolls and profits" of the long distance business in Chicago, insofar as the division was to compensate for the use and operations of the long lines plant (O.R. VI, 1946). No change in this arrangement was made to 1919 or thereafter.

AMERICAN COMPANY'S TOLL TARIFFS, 1914-1917.

Neither the Tariff and Route Book of the American Company filed on January 1, 1914, with the Illinois Commerce Commission (R. VIII, 4924d-f, S. P. U. C. 1, No. 1) covering intrastate toll service in Illinois, nor the Tariff and Route Book of the American Company issued May 1, 1917, and covering its interstate long distance service (R. VIII, 4924g-h), stated

(1) that the service covered by the rates included in such tariffs excluded the furnishing for the use of the patron, the exchange plant facilities necessary for personal communication at telephones in the different territories of such licenses, or

(2) that the rates included in the tariffs were not intended to compensate for the use by the customer of the

American Company in the American Company's service of the exchange plant facilities of the licensees required as part of the facilities for communication in such services.

On July 2, 1917, the American Company filed with the Public Utilities Commission of Illinois, effective August 1, 1917, a new Tariff book to replace the one filed January 1, 1914 (R. IV, 2786a-c). As part of such new book, on the sheet entitled "Explanatory Statement" appeared the following statement:

> "The service covered by this tariff consists in furnishing for the use of patrons facilities, other than exchange facilities, intended for use in telephonic communication between the points listed. The exchange facilities used in connection with this service are the facilities required to establish connection between an exchange station and the toll board, or between an exchange station and the toll trunks, when such trunks are employed to effect connection with the toll board, and the use of such facilities is covered by the charges for exchange service."

The American Company issued, effective June 1, 1917, a supplement sheet No. 2 to the May 1, 1917 issue of the Tariff and Route Book covering its long distance service in which it recited the same provision as appeared in the revised Book filed in Illinois (R. I, 275).

Nothing appears in the record to indicate that the American Company's long distance rates or the American Company's intrastate toll rates were decreased in 1917 to conform to the narrowing of the scope of the service intended to be covered by the rate charged in the tariff schedules.

Beginning with 1917 the American Company started to revise its License Contracts with its licensees including Appellee (O.R. IV, 1585). In the case of Appellee the re-

vised contract was executed in November, 1918 (O.R. VI, 2163). Revised License Contracts with other licensees were also executed during the same year (O.R. VII, 2570) and still others were in the process of revision at the end of 1918 and were not executed until the end of 1919.

1919 Revision.

The Revised License Contract with Appellee (referred to herein as 1919 Memorandum or 1919 License Contract) executed in 1918 and effective February 1, 1919, was in the standard form executed also by the other licensees (O.R. IV, 1205).*

By the 1919 License Contract in perpetuity:

(a) Appellee was not to make any charge to the American Company's customers for their use of Appellee's exchange plant facilities in transmitting or in receiving communications from or to Appellee's exchanges over the American Company's wires, whether such customers were subscribers to Appellee's own services or were non-subscribers thereof;

(b) for all the uses by the American Company or by its subscribers, who may or may not be subscribers of Appellee's services, of Appellee's exchange facilities in transmitting or in receiving communications from or to Appellee's exchange, Appellee was to receive a specified compensation from the American Company;

*The Standard Revised License Contract, corresponding to and embodying the identical provisions as the 1919 Memorandum, is found in the Record of the Missouri Case, 262 U. S. 276. It appears as part of the contract between the American Company and the Postmaster General of August 4, 1918 (Rec. **Missouri Case**, 130) and as the contract between the American Company and the Missouri Company of November, 1919 (Rec. **Missouri Case**, 322).

(c) but such compensation was to be considered as compensation for the uses of only part of the exchange facilities in fact used in transmitting or receiving long distance communications from and to Appellee's exchange, *i. e.*, billing, collecting and settling the charges—the part excepted being Appellee's exchange plant facilities "necessary to make connection between the telephone station and the toll switchboard" * * * "for the use of which excepted facilities, the Licensee is compensated by its rates for its exchange service" (O.R. IV, 1205).

This contract was executed and was made effective without procuring the consent and approval of the Public Utilities Commission of Illinois and was not filed with it before or after its effective date (O.R. V, 1785).

Appellee's Connecting Company Arrangement 1910-1926.

For over ten years prior to March 1, 1920, traffic agreements between Appellee and independent connecting companies provided for an originating commission to each company, and a distribution of the balance upon a basis agreed upon (O.R. IV, 1328). There is nothing in the record to indicate that the use of the exchange plant facilities was not intended to be covered either by the connecting company rates or by the settlement between the parties. In 1920, new traffic agreements were made effective between Appellee and 293 independent telephone companies in Illinois. The agreements provided for an originating commission to each company, and a distribution of the balance of the charge on a basis therein specified. These agreements on their face show clearly that the use of all necessary exchange facilities, including exchange plant facilities, was intended to be covered by the originating commission (O.R. V, 1351).

1926 Revision of Appellee's Connecting Company Contracts.

Appellee's connecting company contracts with companies other than the American Company were revised on January 1, 1926, to provide that the compensation to each party from the revenues of the services using the facilities of both parties covered the following:

> "Note: The above compensation shall not be construed as compensation for connection of exchange *subscribers* with toll boards; such service is performed for the patron and compensated for in the exchange rate" (R. VIII, 4903).

But it does not appear that the new agreements were filed with or were approved by the Illinois Commerce Commission to replace the previous agreements which had been approved and filed, nor that any change was made in the connecting company rates of either party to exclude therefrom compensation for the use in the connecting service of their respective exchange plant facilities.

1929 Revision of Appellee's Connecting Company Contracts.

Appellee's connecting company contracts with companies other than the American Company in use beginning with December 1, 1929, contained the following recital:

> "The commission determined as above is the total amount to be received by each company for facilities furnished and services rendered in originating and terminating connections interchanged under said Traffic Agreement but does not include compensation for the use of exchange service and facilities required to establish connection between an exchange station and

the toll terminal plant, for the use of which facilities each company is compensated by its rates for exchange service" (R. VIII, 4908).

But it does not appear that the new agreements were filed with or were approved by the Illinois Commerce Commission to replace the previous agreements which had been approved and filed, nor that any change was made in the connecting company rates of either party to exclude therefrom compensation for the use in the connecting service of their respective exchange plant facilities.

APPELLEE'S CHICAGO EXCHANGE COMPANY STATIONS.*

(Referred to in Brief, p. 76.)

	Number of Stations at End of Year		Per Cent Pay Stations	Exchange Revenue During Year R. IV, 2734-42		Per Cent Pay Stations
	Public	Total				
Year	Pay Stations (a)	Stations (b)	Of Total (c)	Pay Stations (d)	Total (e)	Of Total (f)
1923	11,082	691,545	1.60	$3,143,498	$36,342,226	8.65
1924	12,015	741,936	1.62	3,485,734	38,673,758	9.01
1925	13,037	790,764	1.65	3,612,666	41,216,290	8.77
1926	14,214	848,070	1.68	3,906,453	44,305,629	8.82
1927	15,705	903,460	1.74	4,166,910	47,391,951	8.79
1928	16,857	942,015	1.79	4,403,152	50,244,523	8.76
1929	18,409	987,891	1.86	4,688,996	53,798,200	8.72
1930	20,440	981,325	2.08	4,726,682	54,252,120	8.71
1931	22,057	939,481	2.35	4,694,178	52,458,155	8.95

*Computed from R. VIII, 4812-13.

STATE PUBLIC UTILITIES COMMISSION ACT.

(LAWS OF ILLINOIS, 1913, P. 460.)

ARTICLE IV.

RATES AND SERVICE.

("Sec. 33. Filing Schedule of Rates.) Every public utility shall file with the commission and shall print and keep open to public inspection schedules showing all rates and other charges, and classifications, which are in force at the time for any product or commodity furnished or to be furnished by it, or for any service performed by it, or for any service in connection therewith, or performed by any public utility controlled in connection therewith, or performed by any public utility controlled or operated by it. Every public utility shall file with and as a part of such schedule and shall state separately all rules, regulations, terminal, icing, storage or other charges, privileges and contracts that in any manner affect the rates charged or to be charged for any service. Such schedule shall be filed for all services performed wholly or partly within this State, and the rates and other charges and classifications shall not, without the consent of the commission, exceed those in effect on July 1, 1913. But nothing in this section shall prevent the commission from approving or fixing rates or other charges or classifications from time to time, in excess of or less than those shown by said schedule.

Where a schedule of point rates or other charges, or classifications is or may be in force between two or more public utilities such schedules shall in like manner be printed and filed with the commission, and so much there-

of as the commission shall deem necessary for the use of the public shall be filed in every station or office of such public utility in accordance with the terms of section 34 of this Act. Unless otherwise ordered by the commission a schedule showing such joint rates or other charges, or classification need not be filed with the commission by more than one of the parties to it: *Provided,* that there is also filed with the commission a concurrence in such schedule by each of the other parties thereto.

Every public utility shall file with the commission copies of all contracts, agreements or arrangements with other public utilities, in relation to any service, product or commodity affected by the provisions of this Act, to which it may be a party, and copies of all other contracts, agreements or arrangements with any other person or corporation affecting in the judgment of the commission the cost to such public utility of any service, product or commodity.

Sec. 34. Publication and Posting of Schedules.) Subject to such rules and regulations as the commission may prescribe, the schedules referred to in section 33 shall be plainly printed, mimeographed or typewritten in large type, and a copy thereof shall be posted or kept on file in every station or office of a public utility where the public transacts business with such public utility. Any or all of such schedules kept as aforesaid shall be immediately produced by such public utility for inspection upon the demand of any person. A notice printed in bold type, in size prescribed by the commission, stating that such schedules are on file with the agent and open to inspection by any person, and that the agent will assist any person to determine from such schedules any rates or other charges, classification, rules or regulations in force, shall be kept posted by the public utility in two public and conspicuous

places in every such station or office. The form of every such schedule shall be prescribed by the commission and shall conform in the case of common carriers subject to the Act of Congress entitled, "An Act to regulate commerce," approved February fourth, eighteen hundred and eighty-seven, and the Acts amendatory thereof and supplementary thereto, as nearly as may be, to the form of schedules and manner of posting prescribed by the Interstate Commerce Commission under said Act: *Provided*, that in lieu of filing its entire schedule in each station or office, any public utility may, subject to the regulations of the commission, file or keep posted at such station or office, schedules of such rates or other charges, classifications, rules and regulations relating thereto, as are applicable at, to and from the place where such office is located.

The commission may determine and prescribe the form in which the schedules required by this Act to be filed with the commission and to be kept open to public inspection shall be prepared and arranged, and may change the form from time to time if it shall be found expedient: *Provided*, however, that the commission shall endeavor to have such form or forms prescribed by it conform so far as practicable to any similar form or forms prescribed by the Interstate Commerce Commission.

Sec. 35. No Service to be rendered until schedules filed.) No public utility shall undertake to perform any service or to furnish any product or commodity unless or until the rates and other charges and classifications, rules and regulations relating thereto, applicable to such service, product or commodity, have been filed and published in accordance with the provisions of this Act: *Provided*, that in cases of emergency, a service, product or commodity not specifically covered by the schedules filed, may be per-

formed or furnished at a reasonable rate, which rate shall forthwith be filed and shall be subject to review in accordance with the provisions of this Act.

Sec. 36. Changes of Rates.) Unless the commission otherwise orders, no change shall be made by any public utility, in any rate or other charge or classification, or in any rule, regulation, practice or contract relating to or affecting any rate or other charge, classification or service, or in any privilege or facility, except after thiry days' notice to the commission and to the public as herein provided. Such notice shall be given by filing with the commission and keeping open for public inspection new schedules or supplements stating plainly the change or changes to be made in the schedule or schedules then in force, and the time when the change or changes will go into effect. The commission, for good cause shown, may allow changes without requiring the thirty days' notice herein provided for, by an order specifying the changes so to be made and the time when they shall take effect, and the manner in which they shall be filed and published. When any change is proposed in any rate or other charge, or classification, or in any rule, regulation, practice, or contract relating to or affecting any rate or other charge, classification or service, or in any privilege or facility, such proposed changes shall be plainly indicated on the new schedule filed with the commission, by some character to be designated by the commission, immediately preceding or following the item.

No public utility shall increase any rate or other charge, or so alter any classification, contract, practice, rule or regulation as to result in any increase in any rate or other charge, under any circumstances whatsoever, except upon a showing before the commission and a finding by the commission that such increase is justified.

Whenever there shall be filed with the commission any schedule stating an individual or joint rate or other charge, classification, contract practice, rule or regulation, the commission shall have power, and it is hereby given authority, either upon complaint or upon its own initiative without complaint, at once, and if it so orders, without answer or other formal pleadings by the interested public utility or utilities, but upon reasonable notice, to enter upon a hearing concerning the propriety of such rate or other charge, classification, contract, practice, rule or regulation, and pending the hearing and the decision thereon, such rate or other charge, classification, contract, practice, rule or regulation shall not go into effect: *Provided,* that the period of suspension of such rate or other charge, classification, contract, practice, rule or regulation shall not extend more than one hundred and twenty days beyond the time when such rate or other charge, classification, contract, practice, rule or regulation would otherwise go into effect unless the commission, in its discretion, extends the period of suspension for a further period not exceeding six months. On such hearing the commission shall establish the rates or other charges, classifications, contracts, practices, rules or regulations proposed, in whole or in part, or others in lieu thereof, which it shall find to be just and reasonable. All such rates or other charges, classifications, contracts, practices, rules or regulations not so suspended, shall, on the expiration of thirty days from the time of filing the same with the commission, or of such lesser time as the commission may grant, go into effect and be the established or effective rates or other charges, classifications, contracts, practices, rules and regulations, subject to the power of the commission, after a hearing had on its own motion or upon complaint, as here-

in provided, to alter or modify the same. Within thirty days after such changes have been authorized by the commission, copies of the new or revised schedules shall be posted or filed in accordance with the terms of section 34 of this Act, in such a manner that all changes shall be plainly indicated.

Sec. 37. Charging More or Less Than Published Rate.) Except as in this article otherwise provided, no public utility shall charge, demand, collect or receive a greater or less or different compensation for any product, or commodity furnished or to be furnished, or for any service rendered or to be rendered, than the rates or other charges applicable to such product or commodity or service as specified in its schedules on file and in effect at the time, except as provided in section 35, nor shall any such public utility refund or remit directly or indirectly, in any manner or by any device, any portion of the rates or other charges so specified; nor extend to any corporation or person any form of contract or agreement or any rule or regulation or any facility or privilege except such as are regularly and uniformly extended to all corporations and persons.

Sec. 38. Discrimination Forbidden.) No public utility shall, as to rates or other charges, services, facilities or in any other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates or other charges, services, facilities, or in any other respect, either as between localities or as between classes of service.

Every public utility shall, upon reasonable notice furnish to all persons who may apply therefor and be reason-

ably entitled thereto, suitable facilities and service, without discrimination and without delay.

Sec. 39. Discrimination—Rebates, Etc.) No public utility, or any officer or agent thereof, or any person acting for or employed by it, shall directly or indirectly, by any device or means whatsoever, suffer or permit any corporation or person to obtain any service, commodity, or product at less than the rate or other charge then established and in force as shown by the schedules filed and in effect at the time. No person or corporation shall, directly or indirectly, by any device or means whatsoever, whether with or without the consent or connivance of a public utility or any of its officers, agents, or employes, seek to obtain or obtain any service, commodity, or product at less than the rate or other charge then established and in force therefor." * * *

ARTICLE V.

* * * * * *

Sec. 67. Modification of Order or Decision—Rehearing.) The commission may at any time, upon notice to the public utility affected, and after opportunity to be heard as provided in the case of complaints rescind, alter or amend any rule, regulation, order or decision made by it. Any order rescinding, altering or amending a prior rule, regulation, order or decision shall, when served upon the public utility affected have the same effect as is herein provided for original rules, regulations, order or decisions.

After any rule, regulation, order or decision has been made by the commission, any party to the action or proceeding, or any stockholder or bondholder or other party

pecuniarily interested in the public utility affected, may apply for a rehearing in respect to any matters determined in said action or proceeding and specified in the application for rehearing, and the commission may grant and hold such rehearing on said matters, if in its judgment sufficient reason therefor be made to appear. An application for rehearing shall not excuse any corporation or person from complying with and obeying any rule, regulation, order or decision or any requirement of any rule, regulation, order or decision of the commission theretofore made, or operate in any manner to stay or postpone the enforcement thereof, except in such cases and upon such terms as the commission may by order direct. If, after such rehearing and consideration of all the facts, including those arising since the making of the rule, regulation, order or decision, the commission shall be of the opinion that the original rule, regulation, order or decision or any part thereof is in any respect unjust or unwarranted, or should be changed, the commission may rescind, alter or amend the same. A rule, regulation, order or decision shall have the same force and effect as an original rule, regulation, order or decision, but shall not affect any right or the enforcement of any right arising from or by virtue of the original rule, regulation, order or decision unless so ordered by the commission. Only one rehearing shall be granted by the commission; but this shall not be construed to prevent any party from filing a petition setting up a new and different state of facts after two years, and invoking the action of the commission thereon."

AMERICAN COMPANY.

(Referred to in Brief, p. 184.)

Departmental Costs.

	1923	1924	1925	1926	1927	1928	1929	1930	1931
Total Departmental (12) Costs (R. IV, 2953-61)	$10,678,072	$11,428,025	$12,254,366	$14,167,860	$15,667,287	$17,111,950	$19,139,695	$23,611,735	$21,448,341
Less:—Development and Research (R. IV, 2953-61)	2,883,039	3,120,276	3,601,273	4,314,518	5,389,515	5,551,381	7,048,714	9,618,267	8,873,209
Operation and Engineering (R. IV, 2953-61)	2,550,709	2,688,340	2,963,159	3,301,306	3,562,940	3,813,983	4,102,105	4,340,568	4,234,967
Treasury—Direct Distribution of Securities (R. I, 861)	74,255	389,093	55,773	444,595	80,575	588,071	404,130	979,305	138,122
Treasury—Cost of Servicing Securities (R. I, 864)	781,115	724,886	754,962	790,411	798,655	835,660	965,444	1,125,600	1,102,333
Total Deductions	$ 6,289,118	$ 6,922,595	$ 7,375,167	$ 8,850,830	$ 9,831,685	$10,789,095	$12,520,393	$16,063,740	$14,348,631
Net Cost of 10 Departments	$ 4,388,954	$ 4,505,430	$ 4,879,199	$ 5,317,030	$ 5,835,602	$ 6,322,855	$ 6,619,302	$ 7,547,995	$ 7,099,710

Effect of Charging Patent Infringement Liability Charges to Capital Account and to Current Operating Expenses.

(Referred to in Brief, p. 216.)

Based on District Court's Finding of Rate of Return Under Existing Rates.

	Total Chicago Intrastate Patent Infringement Cost Allowed by Court	Maintenance Depreciation and Return	Savings	
			Amount	Per Cent
1923	$ 152,942	$ 35,015	$117,927	77.11
1924	147,171	36,483	110,688	75.21
1925	281,740	67,307	214,433	76.11
1926	191,060	87,060	104,000	54.43
1927	140,018	90,764	49,254	35.18
1928	137,695	109,987	27,708	20.12
1929	130,786	129,420	1,366	1.04
1930	125,532	129,663	4,131*	3.29*
1931	98,382	143,752	45,370*	46.12*
	1,405,326	829,451	575,875	40.98%

Based on District Court's Finding of Rate of Return Under Rates in Suit.

1923	152,942	34,207	118,735	77.63
1924	147,171	34,399	112,772	76.63
1925	281,740	63,119	218,621	77.60
1926	191,060	80,586	110,474	57.82
1927	140,018	83,459	56,559	40.39
1928	137,695	101,521	36,174	26.27
1929	130,786	120,839	9,947	7.61
1930	125,532	121,230	4,302	3.43
1931	98,382	134,645	36,263*	36.86*
	1,405,326	774,005	631,321	44.92%

*Red figures

History of American Company's Depreciation Reserve Account.

(Referred to in Brief, p. 232).

Mr. Heiss, Comptroller of the American Company, testified that he knew that the $5,829,447 had been transferred from surplus to the Reserve for Accrued Depreciation Account in July, 1912, and that prior thereto reservations had been made from income for capital consumption; but he did not know the accounting procedure used during such prior period (R. I, 944). The same witness on behalf of the American Company and the operating telephone subsidiaries of the Bell System, in a communication in 1921 to the Interstate Commerce Commission, stated, "The depreciation reserve now carried by the Bell System is therefore the result of the depreciation policy followed since 1884" (R. VI, 3759).

The history of the $5,829,447 is as follows:

In the early years of development after 1880, research and development work brought a continuous flow of inventions to make the Bell patents serviceable for a telephone system (R. VI, 3776); due to the rapid growth the Bell Licensees were required to reorganize and rebuild their exchanges more than once, as the necessities of the service revealed themselves (O.R. VII, 2358 (6-9)).

In the circular sent out by the American Bell to its local licensees in 1884 recommending a system of telephone accounts, it said:

> "It is certain that the present expense for Repairs and Reconstruction is not proportionate to the actual deterioration of property and that in future years the revenue of most companies will be subjected to much heavier charges on this account. It is suggested that

> a reserve fund be set apart, to which shall be carried such part of the annual profits as represents the estimated amount of yearly depreciation not covered by the expenditure on account of Repairs and Reconstruction" (R. VI, 3777).

Prior to 1899 the American Bell, as the owner of the telephone instruments leased to the Associated Companies, including Appellee (but not then owning the Long Lines plant, which was then owned by its subsidiary, the American Company), made two separate appropriations from surplus entitled "Reserve for General Depreciation" and "Reserve for Depreciation on Instructions" (O.R. VII, 2377), which appropriations were listed in its balance sheet as "Reserve," and appropriated surplus being listed as "Surplus" (O.R. VII, 2376). Apparently the appropriation was not treated as a current operating expense and was not made in every year (O.R. VII, 2377). As of December 31, 1892, the Reserve was 150% of the fixed capital account (O.R. VII, 2376).

In 1899 the American Bell transferred the instruments and licenses to the American Company (O.R. VII, 2389). Beginning with 1901 we find as a yearly appropriation from the balance of net income after dividends, an item designated as "Carried To Reserves" (O.R. VII, 2398, 2403, 2409, 2422, 2431), which the Bell Telephone Securities Company, the financing subsidiary of the American Company, has labeled in its literature as "Appropriated for Contingencies" (R. V, 3445). On the balance sheet of the American Company there was still but one account "Reserve" as in previous years. The American Company's Annual Report for 1903 states:

> "This matter of maintenance and depreciation is constantly before the eyes of our companies. The system of accounts, which is practically uniform for all

of the Bell organization, forces them fairly to face this expense from month to month and from year to year. Before there is any question of profits, each company recognizes the necessity of reserving from its earnings such amounts as experience has shown to be adequate to keep its property in repair and replace it when worn out or destroyed" (O.R. VII, 2400).

"About the years 1908 to 1910 the Bell Companies generally were making provision for depreciation by charging operating expenses with the difference between (a) the amount of depreciation expense computed by the application to the property in use during the year of the current depreciation rates and (b) the amount of depreciation overcome by that year's reconstruction. Since that time the general practice has been to charge operating expense and credit depreciation reserve with the full amount of the accruing depreciation for the year and to charge against the accumulated reserve the losses on property retired" (R. VI, 3777-8).

The balance sheet of the American Company, as of December 31, 1911, showed an investment in telephone instruments of $12,334,255.95 and in the long distance telephone plant of $48,155,893.26 (O.R. VII, 2483). It showed as liability "Depreciation Reserve" $40,383,161.80 or 67% of the original cost of such investments. But the item "Depreciation Reserve" covered not only the Reserve for Accrued Depreciation in fixed plant as defined herein (O.R. VII, 2471) and as prescribed by the Interstate Commerce Commission Rules of the following year, but also "Reserve for contingencies" to provide "for fluctuations in gross and net revenue caused by varied business conditions" (O.R. VII, 2454, 2471). The "Depreciation Reserve" of December 31, 1911, was treated as "Appropriated Surplus" (O.R. VII, 2472, 2473). The transfer of $5,829,447 from surplus to the Reserve for Accrued Depreciation of Telephone Instruments in July, 1912 (R. I, 943), was there-

fore merely the transfer into the separate account, as prescribed by the Interstate Commerce Commission uniform system of accounts promulgated in 1912 mandatory for use after December 31, 1912, by all the larger telephone companies throughout the United States (R. VI, 3778), of that portion of the appropriated surplus account which represents the balance of the accumulations of capital reimbursements theretofore reserved by the American Company and its predecessor, the American Bell, from the license rental payments. The $5,829,447 transferred in July, 1912, represented 47.26% of the original cost of the instruments as of December 31, 1911, which corresponds to the average per cent maintained in the depreciation reserve thereafter to 1927 (R. VI, 4024).

American Company's Appropriations to Reserve for Contingencies.*

1900-1918.

(Referred to in Brief, p. 204.)

	a Net Earnings after Dividends	b Appropriated for Contingencies	c Balance Added to Surplus	d Per cent b of a
1900	$ 1,407,457	$ 937,258	$ 470,199	66.6
1901	2,348,262	1,377,651	970,611	58.7
1902	1,250,868	522,247	728,621	41.8
1903	1,945,514	728,140	1,217,374	37.4
1904	1,476,584	586,149	890,435	39.7
1905	3,167,683	1,743,295	1,424,388	55.0
1906	2,775,704	1,773,737	1,001,967	63.9
1907	5,325,744	3,500,000	1,825,744	65.7
1908	5,662,551	3,000,000	2,662,551	53.0
1909	6,059,113	3,000,000	3,059,113	49.5
1910	6,079,071	3,000,000	3,079,071	49.3
1911	5,563,815	2,800,000	2,763,815	50.3
1912	6,047,357	2,800,000	3,247,357	46.3
1913	5,466,053	2,500,000	2,966,053	45.7
1914	4,762,139	2,500,000	2,262,139	52.5
1915	5,518,047	2,500,000	3,018,047	45.3
1916	6,891,090	2,500,000	4,391,090	36.3
1917	5,989,492	2,500,000	3,489,492	41.7
1918	8,671,623	5,000,000	3,671,623	57.7
Total	$86,408,167	$43,268,477	$43,139,690	50.1

*R. V, 3445.

American Company's Appropriations to Reserve for Contingencies.*

1919-1926.

(Referred to in Brief, p. 204.)

	a Net Earnings after Dividends	b Appropriated for Contingencies	c Balance Added to Surplus	d Per cent b of a
1919	$ 9,039,457	$ 5,000,000	$ 4,039,457	55.3
1920	16,444,423	8,000,000	8,444,423	48.6
1921	11,328,301	3,000,000	8,328,301	26.5
1922	13,199,176	5,000,000	8,199,176	37.9
1923	18,417,793	3,000,000	15,417,793	16.3
1924	20,128,095	3,000,000	17,128,095	14.9
1925	26,360,320	6,000,000	20,360,320	22.8
1926	30,495,055	4,000,000	26,495,055	13.1
Total	$145,412,620	$37,000,000	$108,412,620	25.4

*R. V, 3291, 3299, 3307, 3312, 3355.

ILLINOIS BELL TELEPHONE COMPANY
LICENSE CONTRACT COSTS—INTRASTATE TOTAL
(Referred to in Brief, p. 86.)

	1923	1924	1925	1926	1927	1928	1929	1930	1931
Percentage of Chgo. Area expense, allocated to intrastate (R. IV, 2734-42) based on relation between interstate and intrastate expenses	96.19%	96.19%	95.83%	95.53%	95.25%	93.67%	88.97%	89.03%	89.27%
Cost of Rendering License Contract Service (R. IV, 2953-61):									
Development and Research	$ 139,476	$ 145,247	$ 160,036	$ 197,747	$ 241,935	$ 242,605	$ 293,601	$ 387,281	$ 355,295
Operation and Engineering	151,346	154,929	170,307	188,751	202,258	214,925	214,063	217,814	213,318
Operation General	12,048	11,497	11,173	12,475	11,804	12,777	12,952	12,857	11,482
Personnel	36,187	30,756	36,385	43,653	55,128	54,686	56,138	57,782	54,922
Information	36,057	38,537	44,145	49,131	44,311	57,301	74,475	72,547	69,007
Public Relations	0	1,273	1,585	1,556	1,552	1,536	1,862	2,524	1,942
Legal	41,273	40,232	38,623	36,886	39,475	49,972	31,231	44,153	41,428
Comptroller	55,255	59,176	63,846	70,596	75,757	77,728	77,257	82,328	80,794
Treasurer	53,677	68,799	50,729	73,870	58,553	85,395	77,626	119,453	78,064
Secretary	3,273	3,462	3,355	3,515	3,356	3,528	3,361	3,244	2,642
General Service Bureau	16,083	18,308	19,722	23,108	23,652	24,400	25,050	26,811	24,724
Sundry Items (Including Administration)	36,839	36,370	40,327	40,425	46,679	40,033	39,641	36,931	33,508
Total Departmental Cost	$ 581,514	$ 608,586	$ 640,233	$ 741,713	$ 804,460	$ 864,886	$ 907,257	$1,063,725	$ 967,126
Cost of maintaining the receivers, transmitters and induction coils (telephones) furnished to the licensee companies under the licensee agreement (R. IV, 2938-9, 2734-42; R. III, 2408-9)	68,931	83,036	100,469	126,225	$ 129,852				
Depreciation on cost of instruments (6%) (R. III, 2409)	115,000	128,000	141,000	155,000	169,000				
Return on reasonable value of instruments (6%) (R. III, 2408-10)	158,069	183,964	197,531	196,775	177,148				
To protect against infringements (R. III, 2412-13, 2511)	152,942	147,171	281,740	191,060	140,018	137,695	130,786	125,532	98,382
Expense of office space and office furniture and fixtures furnished (R. III, 2414; R. IV, 2734-42, 2947-50)	11,739	5,289	8,863	2,094	2,391	2,502	2,482	2,605	2,795
Additional amount required to equal Court's finding						20*	4	20	
Total Court's finding No. 22 (R. III, 2519)	$1,088,195	$1,156,046	$1,369,836	$1,412,867	$1,422,869	$1,005,063	$1,040,529	$1,191,882	$1,068,303
Total of items contested by Appellants	575,467	590,846	740,899	727,738	710,090	754,339	792,134	940,673	825,186
Appellants' Contentions (a)	$ 512,728	$ 565,200	$ 628,937	$ 685,129	$ 712,779	$ 250,724	$ 248,395	$ 251,209	$ 243,117

(a) Composed of a portion of Development and Research expense (**supra**, 46), Operation and Engineering, Treasury Dept. excluding cost of Distributing and Servicing securities, Telephone Instrument Costs and Expense of Office Space.

* Red figure.

DEVELOPMENT AND RESEARCH ALLOCABLE TO CHICAGO INTRASTATE BUSINESS.

(Referred to in Brief, pp. 89, 126.)

	Interference, Prevention and Protection (R. IV, 2844a-w)	Allocation to Chicago (R. IV, 2845)	Intrastate Ratio (R. IV, 2734-42)	Intrastate Portion
1923	$146,734	$ 7,381	96.19	$ 7,100
1924	200,690	9,709	96.19	9,339
1925	220,883	10,237	95.83	9,810
1926	331,368	15,898	95.53	15,187
1927	672,165	31,674	95.25	30,169
1928	727,195	33,929	93.67	31.800
1929	725,158	33,957	88,97	30,212
1930	736,887	32,451	89.03	28,891
1931	627,248	28,139	89.27	25,120

Protection Expenses.

(Referred to in Brief, p. 90,)

Development and Research expenses concerned with work of protection of telephone and telegraph plant from inductive interference from trolley wires, circuits, electrolysis and lightning (R. IV, 2844a-w):

1923	$146,734
1924	200,690
1925	200,883
1926	331,368
1927	672,165
1928	727,195
1929	725,158
1930	736,887
1931	627,248

Class I—Expenses.

(Referred to in Brief, p. 131.)

Development and Research expenses claimed to have present application solely to plant and operations of the Associated Companies (R. IV, 2844a-w):

AMERICAN COMPANY—DEVELOPMENT AND RESEARCH EXPENSES—CLASS I.

CLASS I.	1923	1924	1925	1926	1927	1928	1929	1930	1931
1. Central Office.									
1.01 Local Manual Equipment and Circuits	66,474	84,050	106,839	43,042	49,015	21,128	42,557	44,194	48,330
1.03 Panel Equipment and Circuits	163,429	165,235	165,178	79,354	85,743	96,505	109,551	99,949	88,390
1.04 Panel Apparatus				40,937	41,712	46,312	33,190	31,911	28,862
1.05 Step-By-Step Equipment and Circuits	285,778	69,640	68,513	55,076	44,059	38,740	62,404	69,294	74,816
1.06 Step-By-Step Apparatus				16,013	18,635	15,884	12,514	14,189	14,650
1.07 Other Dial Systems, Equipment and Circuits				4,426	9,155	3,444	.....	62	150
1.09 P. B. X. Equipment and Circuits	69,110	37,682	32,112	29,744	26,102	39,043	37,466	45,901	51,662
Total	584,791	356,607	372,642	268,592	274,421	261,056	297,682	305,500	306,859
2. Substation Equipment:	56,739	66,311	82,395	51,337	83,169	124,021	137,920	138,914	108,646
4 Transmitters, Receivers and Induction Coils	6,701	18,434	31,924	106,193	122,058	129,552	76,277	168,082	277,754
15 Rate Case Testimony	19,768	29,930	42,251	29,580	16,757	13,935	10,242	2,965	.....
Total	667,999	471,282	529,212	455,702	496,405	528,564	522,121	615,461	693,259

On the assumption that the Long Lines received no benefit from these expenses, it follows that to the extent that any portion of these expenses were allocated to the Long Lines, the Associated Companies were enriched and the Long Lines were burdened as follows:

1923	$40,080
1924	28,748
1925	31,224
1926	25,975
1927	30,777
1928	35,942
1929	39,681
1930	55,391
1931	65,860

(Referred to in Brief, p. 131)

Class II—Expenses.

(Referred to in Brief, p. 132.)

Development and Research expenses claimed to have present application in varying degree to plant and operations of both the Long Lines and Associated Companies (R. IV, 2844a-w):

AMERICAN COMPANY—DEVELOPMENT AND RESEARCH EXPENSES—CLASS II.

1. Central Office Systems and Apparatus:

	1923	1924	1925	1926	1927	1928	1929	1930	1931
1.02 Manual Apparatus	34,134	37,896	37,965	3,990	5,421	2,229	93	14,723	14,074
1.08 Toll Equipment and Circuits	18,115	29,269	44,786	134,393	174,515	218,901	190,630	206,243	162,798
1.10 Power Equipment	1,133	1,605	2,666	28,075	32,601	34,704	43,808	84,369	76,439
1.11 Testing Mte. Equipment and Apparatus	7,871	18,174	23,244	74,967	98,205	84,044	108,534	105,451	102,564
1.12 Engineering on Equipment Orders	.....	.....	.....	.....	.....	.....	.....	309	56
1.13 Fundamental Studies	28,099	49,462	75,258	70,732	62,684	54,291	49,686	36,373	30,168
1.20 Miscellaneous	17,863	14,747	31,138	95,699	120,331	111,852	68,445	76,993	67,143
Total	107,215	151,153	215,057	407,856	493,757	506,121	461,196	524,461	453,242
3. Outside Plant	187,943	229,206	277,176	310,798	437,158	588,773	735,368	823,587	766,106
8. Other Communication Systems	73,777	82,743	48,873	15,088	9,491	8,077	12,516	358,735	237,957
9. Submarine Cable	.....	.....	.....	.....	96,635	88,843	518,871	666,609	406,117
10. Materials and Processes	.....	.....	.....	18,714	21,864	24,141	35,180	57,688	197,361
11. Fundamental Studies	114,245	124,502	155,566	218,874	210,966	205,140	218,140	306,025	354,048
12. Interference Prevention and Protection	146,734	200,690	220,883	331,368	672,165	727,195	725,158	736,887	627,248
13. Miscellaneous	153,242	194,158	164,489	203,884	249,487	211,264	232,343	232,909	225,953
Total	783,156	982,752	1,081,994	1,506,582	2,191,523	2,359,554	2,938,772	3,706,901	3,268,032

The burden on the Long Lines from the expenditures of Class I (**supra**, 56) incurred exclusively for the benefit of the Associated Companies represents the following per cent each year of the total expenses in Class II:

1923	5.1%
1924	2.9
1925	2.9
1926	1.7
1927	1.4
1928	1.5
1929	1.4
1930	1.5
1931	2.0

(Referred to in Brief, p. 132.)

Minimum per cent of benefit of total Class II Development and Research expense which would have to be received by Long Lines to offset any enrichment to the Associated Companies because of alleged burden on Long Lines from Class I expenses:

1923	11.1%
1924	9.0
1925	8.8
1926	7.4
1927	7.6
1928	8.3
1929	9.0
1930	10.5
1931	11.5

(Referred to in Brief, p. 132.)

Class III—Expenses.

(Referred to in Brief, pp. 133, 162)

Development and Research expenditures covering Wire Transmission Systems, Radio Transmission Systems, and General Transmission Systems (R. IV, 2844a-w):

	Radio	Wire & General Transmission	Class III Total A & B	% A of C	% B of C	% A of Total D & R	% B of Total D & R
	A	B	C	D	E	F	G
1923	$ 404,502	$ 1,028,099	$ 1,432,601	28.2	71.8	14.	35.7
1924	573,876	1,093,450	1,667,326	34.4	65.6	18.4	35.
1925	751,218	1,239,745	1,990,963	37.7	62.3	20.9	34.4
1926	890,077	1,383,299	2,273,376	39.2	60.8	20.6	32.1
1927	1,080,260	1,547,568	2,627,828	41.1	58.9	20.	28.7
1928	1,085,875	1,505,112	2,590,987	41.9	58.1	19.6	27.1
1929	1,638,414	1,869,543	3,507,957	46.7	53.3	23.2	26.5
1930	2,031,811	3,397,400	5,429,211	37.4	62.6	21.1	35.3
1931	1,192,971	3,598,809	4,791,780	24.9	75.1	13.4	40.6
Total	$9,649,004	$16,663,025	$26,312,029				

Development and Research Radio Expense.

(Referred to in Brief, p. 133)

The portion of the total Development and Research Radio Expense allocable to non-Bell sales to the Associated Companies considered as a unit and to the Long Lines for each year is (R. IV, 2848):

	Non-Bell	Associated Companies (Balance after deducting A & C)	Long Lines Proportion	Chicago Proportion
	A	B	C	D
1923	$ 21,518	$ 360,005	$ 22,979	$ 20,298
1924	28,520	512,090	33,266	27,813
1925	41,528	667,818	41,872	34,775
1926	37,925	803,579	48,573	42,608
1927	41,340	974,507	64,413	50,907
1928	51,411	964,120	70,344	50,689
1929	72,059	1,447,312	119,043	76,751
1930	75,411	1,780,324	176,076	91,951
1931	29,199	1,053,309	110,463	53,488
Total	$398,911	$8,563,064	$687,029	$449,280

Long Lines Broadcasting Revenues.

(Referred to in Brief, p. 138)

Revenues to Long Lines from the use of its wires for broadcasting of programs (after deducting portion thereof paid to participating companies) (R. V, 3450a-b):

1924	$ 205,318*	1928	$ 2,032,126
1925	248,164	1929	2,837,973
1926	443,425	1930	3,442,701
1927	1,209,711		
		Total	$10,419,418
		1931	Not available

*The figures are given under the classification "Program Transmission Service and Public Address Systems Service" but the latter service, except for local uses, was replaced or rendered negligible by radio (R. V, 3170).

Western's Sales of Radio Receiving and Transmitting Apparatus.*

(Referred to in Brief, p. 138)

1923	$ 2,176,915
1924	2,889,344
1925	2,764,000
1926	2,736,000
1927	1,578,972
1928	1,533,143
1929	2,265,153
1930	1,471,500
1931	1,353,650
Total	$18,768,677

*R. IV, 2840a.

Telegraph Transmission, Telegraph and Teletypewriter Services Expenses.

(Referred to in Brief, p. 148)

Development and Research expense included in the classification of Wire Transmission System specifically identified to cover telegraph transmission equipment and methods relating to telegraph and teletypewriter services (R. IV, 2844a-w):

1923	$ 292,358
1924	211,867
1925	232,293
1926	206,011
1927	189,458
1928	187,003
1929	242,042
1930	302,289
1931	266,922
Total	$2,130,243

Revenues Received by Long Lines from Telegraph and Teletypewriter Services.*

(Referred to in Brief, p. 149)

1920	$ 7,060,986
1921	7,649,523
1922	8,190,986
1923	8,792,130
1924	8,633,131
1925	10,212,194
1926	12,231,953
1927	13,260,358
1928	15,528,572
1929	18,003,371
1930	18,311,954
1931	Not Available
Total	$127,875,158

*R. V, 3450a-b.

Picture Transmission Expenses.

(Referred to in Brief, p. 150.)

Development and Research expense specifically identified to cover work of picture transmission and photo-telegraphy relating to electrical transmission of pictures (R. IV, 2844a-w):

1924	$ 182,681
1925	231,288
1926	151,220
1927	146,546
1928	102,124
1929	85,062
1930	105,518
1931	190,352
Total	$1,194,791

Carrier Telephone Equipment and Circuits Expenses.

(Referred to in Brief, p. 151).

Development and Research expense specifically identified to cover work of carrier telephone equipment and circuits (R. IV, 2844a-w):

1923	$ 100,645
1924	132,933
1925	126,421
1926	200,077
1927	174,723
1928	194,641
1929	281,359
1930	174,608
1931	172,847
Total	$1,558,254

Carrier on Cable Expenses

(Referred to in Brief, p. 153)

Development and Research expense specifically identified to cover application of carrier on cable (R, IV, 2844t-w):

1930	$745,812
1931	806,593

Television Expenses.

(Referred to in Brief, p. 154)

Development and Research expense specifically identified to cover work in television (R. IV, 2844k-w):

1926	$ 33,420
1927	249,604
1928	81,418
1929	135,759
1930	90,771
1931	84,018
Total	$674,990

Vacuum Tubes Expenses.

(Referred to in Brief, p. 156)

Development and Research expense specifically identified as covering work in relation to vacuum tubes (R. IV, 2844a-w):

1923	$ 185,624
1924	207,493
1925	227,764
1926	312,793
1927	284,359
1928	312,417
1929	275,615
1930	350,004
1931	382,955
Total	$2,539,024

Voice Frequency, Cross Induction and Miscellaneous Expenses.

(Referred to in Brief, p. 158)

Development and Research expense specifically identified as covering the work in voice frequency, cross induction, and general and miscellaneous (R. IV, 2844a-w):

	Voice Frequency	Cross Induction	General and Miscellaneous*
1923.....		$ 58,312	$ 305,635
1924.....		66,589	212,081
1925.....		74,453	267,632
1926.....	$ 149,796	106,821	181,998
1927.....	194,696	107,563	192,026
1928.....	260,339	102,292	261,179
1929.....	209,996	117,392	456,185
1930.....	405,926	163,002	1,059,470
1931.....	508,202	173,889	1,013,031
	$1,728,955	$970,313	$3,949,237

Total $6,648,505

History of Western Bonus Stock, 1882-1930.

(Referred to in Brief, p. 168)

As part of the consideration for the execution of the Western Contract of 1882 and of the licenses therein contained, the American Bell received 2,000 shares of the stock of Western, an Illinois Corporation, predecessor to Western Electric, a New York Corporation (O.R. VI, 2067). From 1881 to 1915 this bonus stock had increased through stock dividends to 14,694 shares of a par value of $1,469,000 and in addition thereto, the American Bell had received a yearly average cash dividend for such entire period of $70,610 (R. VIII, 4376a).

Upon the organization of Western, the American Company exchanged its 14,694 shares for the $1,469,400 par value preferred stock, redeemable at $120 per share, and 14,694 shares of common stock of no par value. In 1920 Western retired its preferred stock at $120 per share. At the same time its stockholders were given the right to subscribe for common stock at $180 per share. The Comptroller of Western treated these two transactions on the basis that they constituted in effect an exchange of 2/3 shares of common stock for each share of preferred stock.

Western history to 1930 of the 14,694 shares of bonus stock held by the American Company is as follows (R. VIII, 4388a, 4392a):

Year	Shares Outstanding December 31st	Cash Dividend Rate	Cash Dividend	Book Value*****
1916	14,694 C**	$8.00 C	$117,552 C	$3,940,836
	14,694 P	6.00 P	88,164 P	
			205,716	
1917	14,694 C	8.00 C	117,552 C	
	14,694 P	6.00 P	88,164 P	
			205,716	
1918	14,694 C	10.00 C	146,940 C	
	14,694 P	6.00 P	88,164 P	
			235,104	
1919	14,694 C	10.00 C	146,940 C	
	14,694 P	6.00 P	88,164 P	
			235,104	
1920	14,694 C	10.00 C	146,940 C	
	..... P	1.15 P	16,898 P	
	9,796 C	7.50 C	73,470 C	
			237,308	
1921	24,490 C	10.00 C	244,900 C	
1922	24,490 C	10.00 C	244,900 C	
1923	24,490 C	10.00 C	244,900 C	$3,670,071
1924	24,490 C	10.00 C	244,900 C	
1925	24,490 C	10.00 C	244,900 C	
	12,245 C***	2.50 C	30,612 C	
			275,512	
1926	36,735 C	10.00 C	367,350 C	
1927	183,675 C****	15.00 C	2,755,125 C	
1928	183,675 C	3.00 C	551,025 C	
1929	183,675 C	5.00 C	918,375 C	
1930	183,675 C	4.00 C	734,700 C	$5,723,313
		Total	$7,700,635	

Dividends 1923-1930, inclusive, $6,091,887

**C—Common Stock; P—Preferred Stock.

***50% stock dividend.

****Stock split up on the basis of five shares of new stock for one share of old.

*****Exclusive of value of Western investment in subsidiaries in excess of the amount carried on its books and after deducting depreciation reserve.

Effect of Charging Development and Research Expense to Capital Account and to Current Operating Expense.

(Referred to in Brief, p. 172.)

Based on District Court's Finding of Rate of Return Under Existing Rates.

	Total Chicago Intrastate Development and Research As Allowed by Court a	Maintenance Depreciation and Return b	Savings a-b	
			Amount c	Per Cent
1923	$ 139,476	$ 31,933	$ 107,543	77.11
1924	145,247	35,054	110,193	75.87
1925	160,036	47,976	112,060	70.02
1926	197,747	76,102	121,645	61.52
1927	241,935	97,599	144,336	59.66
1928	242,605	131,536	111,069	45.78
1929	293,601	177,698	115,903	39.48
1930	387,281	212,795	174,486	45.05
1931	355,295	267,769	87,526	24.63
	$2,163,223	$1,078,462	$1,084,761	50.15

Effect of Charging Development and Research Expense to Capital Account and to Current Operating Expense.

(Referred to in Brief, p. 172.)

Based on District Court's Finding of Rate of Return Under Rates in Suit.

	Total Chicago Intrastate Development and Research As Allowed by Court a	Maintenance Depreciation and Return b	Savings a-b	
			c	
			Amount	Per Cent
1923	$ 139,476	$ 31,195	$ 108,281	77.63
1924	145,247	33,100	112,147	77.21
1925	160,036	44,528	115,508	72.18
1926	197,747	70,936	126,811	64.13
1927	241,935	91,014	150,921	62.38
1928	242,605	122,926	119,679	49.33
1929	293,601	168,034	125,567	42.77
1930	387,281	202,063	185,218	47.83
1931	355,295	254,809	100,486	28.28
	$2,163,223	$1,018,605	$1,144,618	52.91

The above gives effect to the District Court's findings on (a) the percentage of Western's purchases carried into capital account and maintenance; (b) the rate of return from the existing and attacked rates; (c) the proper depreciation expense charges; (d) the Development and Research expense of $2,163,223 allocated by Appellee to its Chicago Intrastate business for the years 1923 to 1931, inclusive.

WESTERN ELECTRIC COMPANY, INC.

EARNINGS ON NON-BELL BUSINESS AS ADJUSTED ON THE BASIS OF THE DISTRICT COURT'S FINDINGS FOR BELL BUSINESS.

(Dollars in Thousands)

(Referred to in Brief, pp. 245, 293.)

Year	Earnings (R. IV, 2819)	Adjustments: Extraordinary reserve for depreciation	Adjustments: Patents charged to surplus	Adjustments: Federal taxes (R. VI, 3918)	Adjustments: Employees' pension fund	Earnings as adjusted
1916	$ 1,730	$...	$263*	$ 2	$...	$ 1,469
1917	3,275	...	23*	88	...	3,340
1918	3,613	...	87*	63*	...	3,463
1919	2,689	...	10*	57	...	2,736
1920	2,435	...	1*	14	...	2,448
1921	2,664*	...	...	14*	...	2,678*
1922	1,672	...	...	1*	...	1,671
1923	2,923	...	...	76	...	2,999
1924	2,370	...	...	9*	120*	2,241
1925	672*	...	...	6*	...	678*
1926	1,696	11	...	3	...	1,710
1927	1,297	21	...	39*	...	1,279
1928	2,592	34	...	48	...	2,674
1929	6,389	34	...	76	...	6,499
1930	1,249	34	...	31*	...	1,252
1931	151*	35	...	...	...	116*
1932 (3 months x 4)	500**	35	...	...	...	465*
Total 1916-1932	$29,943	$204	$384*	$201	$120*	$29,844
Total 1923-1932	$17,193	$204	$...	$118	$120*	$17,395

*Red.

**R. II, 1078.

WESTERN ELECTRIC COMPANY, INC.

PERCENTAGES OF EARNINGS TO SALES AND AVERAGE INVESTMENT—NON-BELL BUSINESS

(As adjusted on the basis of the District Court's findings for Bell Business).

(Dollars in thousands)

(Referred to in Brief, pp. 245, 293, 306, 310.)

r	Earnings as adjusted	Sales	Percentage of earnings to sales	Average investment (before depreciation)			Percentage of earnings to average investment	Average investment, less reserve for depreciation			Percentage of earnings to average investment less reserve for depreciation
				Per Exhibit (R. IV, 2819)	Adjustment	Adjusted		Per Exhibit (R. IV, 2819)	Adjustment	Adjusted	
16	$ 1,469	$ 33,072	4.4	$ 12,983	$....	$ 12,983	11.3	$ 10,274	$...	$ 10,274	14.3
17	3,340	45,658	7.3	16,774	....	16,774	19.9	14,270	...	14,270	23.4
18	3,463	66,009	5.2	23,105	....	23,105	15.0	20,388	...	20,388	17.0
19	2,736	55,361	4.9	22,919	....	22,919	11.9	18,930	...	18,930	14.5
20	2,448	75,400	3.2	26,557	....	26,557	9.2	23,372	...	23,372	10.5
21	2,678*	46,880	5.7*	27,181	....	27,181	9.9*	24,176	...	24,176	11.1*
22	1,671	50,984	3.3	17,254	....	17,254	9.7	14,674	...	14,674	11.4
23	2,999	67,018	4.5	19,267	....	19,267	15.6	15,898	...	15,898	18.9
24	2,241	64,981	3.4	20,432	....	20,432	11.0	16,860	...	16,860	13.3
25	678*	71,029	1.0*	21,384	101*	21,283	3.2*	18,132	...	18,132	3.7*
26	1,710	15,902	10.8	12,367	296*	12,071	14.2	6,742	5	6,747	25.3
27	1,279	12,662	10.1	11,186	458*	10,728	11.9	6,696	21	6,717	19.0
28	2,674	20,123	13.3	15,202	527*	14,675	18.2	9,192	49	9,241	28.9
29	6,499	38,566	16.9	26,419	527*	25,892	25.1	16,983	83	17,066	38.1
30	1,252	22,648	5.5	18,798	527*	18,271	6.9	12,118	117	12,235	10.2
31	116*	9,421	1.2*	11,947	527*	11,420	1.0*	8,165	152	8,317	1.4*
tal 1916-1931....	$30,309	$695,714	4.4	$303,775	$2,963*	$300,812	10.1	$236,870	$427	$237,297	12.8
tal 1923-1931....	$17,860	$322,350	5.5	$157,002	$2,963*	$154,039	11.6	$110,786	$427	$111,213	16.1

*Red.

WESTERN ELECTRIC COMPANY, INC.

Rate of Return From Bell and Non-Bell Business After Giving Effect to Adjustments Made by the District Court in its Findings of Fact, Items 18 and 19, Under Date of April 29, 1933.

(Dollars In Thousands.)

(Referred to in Brief, pp. 169, 304, 305, 306.)

Year	Average Investment less Reserve for Depreciation as determined by the Court			Capital Stock and Surplus distributed in the same ratio as the average investment			Net Profit as Determined by the Court			% Return on Capital Stock and Surplus		
	Total	Non-Bell	Bell	Total (R. VI, 3959)*	Non-Bell*	Bell*	Total	Non-Bell	Bell	Total	Non-Bell	Bell
1926	$128,720	$6,747	$121,973	$ 84,042	$4,166	$ 79,876	$14,594	$1,710	$12,884	17.37	41.05	16.13
1927	129,405	6,717	122,688	80,474	3,930	76,544	18,023	1,279	16,744	22.40	32.54	21.87
1928	123,714	9,241	114,473	73,714	5,310	68,404	20,778	2,674	18,104	28.19	50.36	26.47
1929	171,355	17,066	154,289	100,655	9,885	90,770	24,498	6,499	17,999	24.34	65.75	19.83
1930	220,637	12,235	208,402	152,913	8,328	144.585	13,247	1 252	11,995	8.66	15.03	8.30

*After giving effect to the Court's adjustments of the net profits for each year including 1916.

R., V, 3654A.
(D-19)

WESTERN ELECTRIC COMPANY, INCORPORATED
ANALYSIS OF THE COST OF SALES BY BELL AND NON-BELL CUSTOMERS
(Dollars in Thousands)

(Referred to in Brief, pp. 171, 212, 251, 271, 276.)

	BELL CUSTOMERS												NON-BELL CUSTOMERS										
						EXPENSES									EXPENSES								
Year	Sales	Gross Profits	Current Cost of Sales Before Interest and Expenses	Additions to Employees' Benefit Fund	Additional Depreciation of Plant	Development	Merchandising	General	Federal Taxes	Interest Received	Total Cost	Sales	Gross Profits	Current Cost of Sales Before Interest and Expenses	Additions to Employees' Benefit Fund	Additional Depreciation of Plant	Development	Merchandising	General	Federal Taxes	Interest Received	Total Cost	Year
1916	$ 73,915	$ 6,314	$ 67,601	$ 0	$ 0	$1,227	$1,257	$1,933	$ 38	$(281)	$ 71,775	$33,072	$ 5,925	$27,147	$ 0	$ 0	$ 244	$2,975	$1,096	$ 30	$ (140)	$31,342	1916
1917	104,682	7,792	96,890	0	0	1,662	1,503	2,274	192	(364)	102,157	45,658	8,738	36,920	0	0	307	3,483	1,499	250	(76)	42,383	1917
1918	79,217	7,935	71,282	0	0	1,673	1,844	2,215	285	(503)	76,796	66,009	11,164	54,845	0	0	845	4,178	2,228	345	(45)	62,396	1918
1919	80,361	9,881	70,480	0	0	2,220	2,241	3,040	239	(546)	77,674	55,361	9,914	45,147	0	0	724	4,614	1,691	228	(32)	52,672	1919
1920	130,712	13,506	117,206	0	0	3,310	2,928	2,698	302	(587)	126,857	75,400	12,208	63,192	0	0	425	7,194	2,178	149	(175)	72,965	1920
1921	142,885	20,150	122,735	0	0	4,854	1,804	3,026	315	(987)	131,747	46,880	5,576	41,304	0	0	445	6,244	1,739	25	(213)	49,544	1921
1922	159,957	16,666	143,291	0	0	4,840	2,009	3,907	497	(949)	153,595	50,984	9,537	41,447	0	0	652	5,563	1,624	176	(140)	49,312	1922
1923	188,150	22,483	165,676	0	0	5,497	3,690	6,565	769	(290)	181,967	67,018	12,624	54,394	0	0	1,006	6,179	2,226	398	(108)	64,095	1923
1924	233,300	37,608	195,697	2,000	1,563	9,221	4,418	7,210	2,561	(245)	222,425	64,981	12,192	52,789	0	0	1,309	6,176	2,042	471	(76)	62,611	1924
1925	226,700	41,591	185,109	3,283	1,966	6,967	4,449	7,342	2,588	(1,256)	210,448	71,029	13,103	57,926	1,617	U202	2,777	6,636	2,330	508	(205)	71,701	1925
1926	247,203	47,295	199,908	3,443	1,914	9,407	12,985	4,436	3,311	(752)	234,652	15,902	4,561	11,341	233	188	1,030	954	380	94	(14)	14,206	1926
1927	241,062	52,456	188,606	3,172	1,666	11,382	13,353	4,544	2,264	(793)	224,194	12,662	3,975	8,687	192	137	1,024	720	413	197	(5)	11,365	1927
1928	267,808	47,896	219,912	236	1,831	8,872	15,252	3,589	1,556	(724)	250,524	20,123	6,293	13,830	12	69	1,439	905	953	230	(8)	17,531	1928
1929	372,384	49,303	323,081	0	0	8,910	18,642	3,919	1,329	(869)	355,012	38,566	11,966	36,600	0	0	2,114	1,493	1,221	763	(14)	32,177	1929
1930	338,830	48,068	290,772	0	0	12,244	19,494	4,430	1,097	(882)	329,145	22,648	5,557	17,091	0	0	1,772	1,242	1,120	180	(6)	21,399	1930
Total	2,237,175	428,422	2,458,246	12,134	8,940	92,286	105,889	61,118	17,343	(9,968)	2,743,968	686,293	133,333	552,960	2,055	696	16,113	58,546	22,730	3,944	(1,345)	655,699	Total

U Includes $1,400,000 Reserve for Graybar Electric Company, Inc., Pension Fund.

Allocation of Western's Development and Research Expenses.

(Referred to in Brief, p. 271.)

Western's Development and Research expenses were allocated between Bell and non-Bell on the basis of standard costs of sales, as follows (R. V, 3654a):

	Bell.	Non-Bell.
1916	$ 1,227,000	$ 244,000
1917	1,662,000	307,000
1918	1,673,000	845,000
1919	2,220,000	724,000
1920	3,310,000	425,000
1921	4,854,000	445,000
1922	4,840,000	652,000
1923	5,497,000	1,006,000
1924	9,221,000	1,309,000
1925	6,967,000	2,777,000
1926	9,407,000	1,030,000
1927	11,382,000	1,024,000
1928	8,872,000	1,439,000
1929	8,910,000	2,114,000
1930	12,244,000	1,772,000
1931	.....	.....
Total	$92,286,000	$16,113,000

ANALYSIS OF STUDY SHOWING RELATIVE PURCHASES BY APPELLEE OF 17 IMPORTANT ITEMS OF WESTERN MANUFACTURE.

(Referred to in Brief, p. 279.)

(1) Appellee's purchases of Large Multiple Sections represented the following percentages of total Western sales of Bell System of this item (R. VIII, 4432a):

1924	6.5%
1925	13.3
1926	4.2
1927	12.5
1928	45.3
1929	3.5
1930	5.8
Average for Period	10.6%

Of the total purchases of Panel Lines by the Bell System, Appellee purchased the following per cents:

1924	6.6%
1925	5.1
1926	.0
1927	18.3
1928	1.3
1929	6.8
1930	10.5
Average for Period	10.6%

In contrast to Appellee's experience in respect to Panel Lines, the Southern New England Telephone and Telegraph Company apparently has purchased none of such equipment from Western during the entire period 1922-1932, inclusive, as indicated by its requirement sheets (R. VIII, 4444a). From the same requirement sheets it appears that the New

York Telephone Company, during this period, required 39% of the total Bell System Panel Line requirements.*

(2) X-313 (R. VIII, 4431, 4432a) is an exhibit which purports to show the quantity of 17 important plant items of Western manufactures, sold to the Bell System as a unit and to Appellee during the period 1924-1930, inclusive, considered as a unit. On the basis of this sheet Mr. Gregory, Comptroller of Western, claimed he reached the conclusions that Appellee's purchases during that period represented a fair cross-section of the Bell System purchases.

This study (R. VIII, 4431, 4432a) shows:

(a) in respect to 2 of the 17 items Mr. Gregory had no information for the year 1924;

(b) in respect to one of the items he had no information for the years 1924-1926.

(c) Appellee purchased

(a) 10.6% of Large Multiple Section Switch Boards;
(b) 5.5% of Dials;
(c) 9.7% of Sub-sets;
(d) 6.2% of one class of P. B. X. Switch Boards;
(e) 2.4% of Step-by-Step Lines (substantially all for use outside Chicago); and
(f) 7.6% of Panel Lines (substantially all for use in Chicago).

(d) The 17 items included in the study (R. VIII, 4431, 4432a) ranged from Large Multiple Section Switch Boards, which represents a combination of thousands of individual items, each consisting of many piece parts, to loading coils, (single item) which have relatively few piece parts as com-

*The close relationship between actual purchases and requirements is indicated by the fact that the total requirements of plaintiff for the entire period 1922-1932, inclusive, represented 7.9% of total Bell System requirements, whereas the total purchases for the period 1924-1930 were 7.6% of Bell System purchases.

pared to the Large Multiple Section Switch Boards (R. II, 1923).

(3) This study (R. VIII, 4432a) shows:

(a) The quantity sold to Appellee and to the Bell System as a unit for each of the years of the period shown in Sheet 1 of the study (R. VIII, 4431) and making up the sales figures in said Sheet 1.

(b) The single figure for an item in Sheet 1 of said study (R. VIII, 4431), in several instances, represented the combination of subsidiary groups of items each of which had its own experience.

Cable terminals sold to Appellee, representing 7.7% of the entire Bell System purchases are shown (R. VIII, 4432a). Such sales represent sales of two subsidiary groups of cable terminals. In respect to one group—Appellee purchased none in 1927 although a large quantity was sold to the balance of the System. In the following years it purchased the following percentages of total Bell System purchases:

1928	8.2%
1929	7.7
1930	10.9

Of the second subsidiary group, "14 Type," Appellee purchased the following percentages of total Bell System purchases:

1927	10.3%
1928	4.5
1929	.2
1930	.0

But viewed as a single group of "cable terminals" Appellee's purchases were:

1924	8.9%
1925	7.4
1926	9.2
1927	8.3
1928	6.5
1929	5.9
1930	9.1
Average for Period	7.7%

This group average of 7.7% is the result of the subsidiary group average of 8.3% for "B and "C" Type terminals and of 5.90% of "14 Type" terminal.

This study shows (R. VIII, 4431) that Appellee purchased 5.6% of Loading Coils. Sales of Loading Coils were of three separate sub-groups (R. VIII, 4432a):

Per Cent Appellee's Purchases of Bell Purchases.

	Side and Phantom	Non-Phantom	Carrier	Total
1924	3.6%	7.6%	0%	5.5%
1925	7.0	42.2	0	19.9
1926	4.5	19.7	0	9.1
1927	2.1	22.4	0	9.0
1928	1.7	23.2	.7	7.4
1929	.6	10.9	.3	2.8
1930	.6	11.3	.1	3.0
Total	1.5	17.2	.2	5.6

This study shows (R. VIII, 4432a) Appellee purchased 8.3% of Bell System Lead Covered Cable purchases. It further shows that the figure 8.3% is the result of the averages of two subsidiary groups of Lead Covered Cable:

	Quadded	Loop	Total
1924	4.4%	5.8%	5.7%
1925	11.6	7.8	8.1
1926	5.8	10.0	9.6
1927	5.2	14.3	12.9
1928	3.8	11.4	10.0
1929	2.0	7.3	6.0
1930	2.0	9.6	6.9
Totals	3.5	9.3	8.3

(c) The total period purchases by Appellee of each of the 17 items shown in this study is disclosed on R. VIII, 4432a, to cover the following yearly per cents of total Bell System purchases of the same items:

	Switchboards									Station Apparatus				
Items	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1924	6.5	7.1	*	*	6.6	.2	12.7	..	..	10.7	..	1.6	2.6	9.9
1925	13.3	8.8	11.7	12.9	5.1	3.1	21.5	..	..	8.6	..	3.9	3.3	7.1
1926	4.2	4.3	11.0	11.9	0	0	12.9	..	..	10.5	..	5.5	2.6	9.0
1927	12.5	4.9	16.3	11.9	18.3	4.2	7.0	..	..	10.0	10.2	7.9	4.4	9.3
1928	45.3	6.6	11.5	10.0	1.3	3.2	9.4	0	..	8.5	8.5	12.8	6.1	8.2
1929	3.5	3.7	8.8	8.9	6.8	2.9	11.1	1.2	3.3	9.8	8.1	10.7	7.7	3.5
1930	5.8	3.3	10.3	9.5	10.5	2.2	8.7	14.2	6.2	10.4	6.3	10.5	7.4	8.3
			**	**										***
Total	10.6	5.1	11.6	10.7	7.6	2.4	10.3	6.8	6.2	9.7	7.5	9.1	5.5	8.3

	Cable Terminals			Loading Coils			Lead Covered Cable			
Items	15a	15b	15	16a	16b	16c	16	17a	17b	17
1924 ..	..	..	8.9	3.6	7.6	..	5.5	4.4	5.8	5.7
1925 ..	..	..	7.4	7.0	42.2	..	19.9	11.6	7.8	8.1
1926 ..	..	..	9.2	4.5	19.7	..	9.1	5.8	10.0	9.6
1927 ..	0	10.3	8.3	2.1	22.4	0	9.0	5.2	14.3	12.9
1928 ..	8.2	4.5	6.5	1.7	23.2	.7	7.4	3.8	11.4	10.0
1929 ..	7.7	6.2	5.9	.6	19.9	.3	2.8	2.0	7.3	6.0
1930 ..	10.9	0	9.1	.6	11.3	.1	3.0	2.0	9.6	3.9
	***									
Total .	8.3	5.9	7.7	1.5	17.2	.2	5.6	3.5	9.3	8.3

*—Figures not available.
**—Total 1925 to 1930, inclusive.
***—Total 1927 to 1930, inclusive.

Switchboards
1. Large Multiple Sections
2. Small Multiple Sections
3. 550 and 551 Types
4. 505 and 506 Types
5. Panel Lines
6. Step-by-Step Lines
7. 700 and 701 P. B. X. Lines
8. 740 P. B. X.'s
9. 750 P. B. X.'s

Station Apparatus
10. Subsets, 534A, 584A, 534C, 534AC 584C, 554AR, 554C, 534AR
11. Hand Telephone Sets
12. Coin Collectors, 5-Type
13. Dials, 2AA, 2AB, 2AE, 2HA, 2HB, 2HE, 4HA, 4HB, 4HE
14. Desk Stands, 20AL, 20CF, 40AL, 40CF, 50AL, 51AL

Cable Terminals
15-a. 8 & "C" Types
15-b. 14 Type
15. Total

Loading Coils
16-a. Side and phantom
16-b. Non-phantom
16-c. Carrier
16. Total

Lead Covered Cables
17-a. Quadded
17-b. Loop
17. Total

(d) The varying per cents of total Bell purchases for each item during a given year, or years, continue irrespective of the number of years included in the study. This appears from the following showing of per cents of total Bell System purchases of each of the items included in this study, purchased by Appellee on the basis of its experience during the years (R. VIII, 4433).

Switchboards

	1924 to 1925	1924 to 1928	1929 and 1930
1. Large Multiple Sections	9.2	13.1	4.7
2. Small Multiple Sections	7.9	6.1	3.5
3. 550 and 551 Types	11.7	12.6	9.2
4. 505 and 506 Types	12.9	11.5	9.1
5. Panel Lines	6.0	6.5	8.7
6. Step-by-Step Lines	1.8	2.3	2.5
7. 700 and 701 P. B. X. Lines	17.6	11.1	9.6
8. 740 P. B. X.'s	..	..	7.6
9. 750 P. B. X.'s	..	..	6.2
Station Apparatus			
10. Sub-sets, 534A, 584A, 534C, 584C, 554AR, 554C, 534AR	9.6	9.6	10.0
11. Hand Telephone Sets	..	8.8	7.0
12. Coin Collectors, 50 Type	3.0	7.0	10.6
13. Dials, 2AA, 2AB, 2AE, 2HA, 2HB, 2HE, 4HA, 4HB, 4HE	3.0	4.2	7.5
14. Desk Stands, 20AL, 20CF, 40AL, 40CF, 50AL, 51AL	8.3	8.6	4.2
Cable Terminals			
15a. 8 and "C" Types	..	6.4	9.1
15b. 14 Type	..	7.8	.1
15. Total	7.9	7.9	7.3
Loading Coils			
16a. Side and phantom	5.8	3.0	.6
16b. Non-phantom	25.7	23.0	11.1
16c. Carrier	..	.3	.2
16. Total	14.0	9.3	2.9
Lead Covered Cable			
17a. Quadded	8.6	5.6	2.0
17b. Loop	6.9	9.7	8.3
17. Total	7.0	9.2	6.4

WESTERN ELECTRIC COMPANY, INC.

EARNINGS ON BELL AND NON-BELL BUSINESS COMBINED AS ADJUSTED ON THE BASIS OF THE DISTRICT COURT'S FINDINGS FOR BELL BUSINESS.

(Dollars in thousands)

(Referred to in Brief, pp. 245, 293.)

Year	Earnings (Exhibits (R. IV, 2978, 2819)	Adjustments: Extraordinary reserve for depreciation	Adjustments: Patents charged to surplus	Adjustments: Federal taxes (R. VI, 3916)	Adjustments: Employees' pension fund	Earnings as adjusted
1916	$ 3,870	$	$2,023*	$ 5	$...	$ 1,852
1917	5,800	....	230*	155	...	5,725
1918	6,034	....	280*	115*	...	5,639
1919	5,376	....	42*	116	...	5,450
1920	7,290	....	12*	41	...	7,319
1921	8,474	....	6*	183*	...	8,285
1922	8,034	....	3	5*	...	8,032
1923	9,115	....	....	224	...	9,339
1924	13,245	....	....	74*	...	13,171
1925	15,580	112	2*	35*	...	15,655
1926	14,247	243	....	104	...	14,594
1927	18,165	342	....	484*	...	18,023
1928	19,876	530	....	372	...	20,778
1929	23,761	530	....	207	...	24,498
1930	12,934	530	....	217*	...	13,247
1931	10,349	532	....	....	...	10,881
1932 (3 months x 4)	6,900*	532	....	...	...	6,368*
Total 1916-1932	$175,250	$3,351	$2,592*	$111	$...	$176,120
Total 1923-1932	$130,372	$3,351	$ 2*	$ 97	$...	$133,818

*Red.

WESTERN ELECTRIC COMPANY, INC.

PERCENTAGE OF EARNINGS TO SALES AND AVERAGE INVESTMENT—BELL AND NON-BELL BUSINESS COMBINED

(As adjusted on the basis of the District Court's findings for Bell business).

(Referred to in Brief, pp. 245, 293.)

(Dollars in thousands)

Year	Earnings as adjusted	Sales	Percentage of earnings to sales	Average investment (before depreciation) Per Exhibit (R. IV, 2978, 2819)	Adjustment	Adjusted	Percentage of earnings to average investment	Average investment, less reserve for depreciation Per Exhibits (R. IV, 2978, 2819)	Adjustment	Adjusted	Percentage of earnings to average investment less reserve for depreciation
1916	$ 1,852	$ 106,987	1.7	$ 59,095	$	$ 59,095	3.1	$ 46,441	$	$ 46,441	4.0
1917	5,725	150,340	3.8	82,958	.....	82,958	6.9	68,155	....	68,155	8.4
1918	5,639	145,226	3.9	93,790	.....	93,790	6.0	76,435	....	76,435	7.4
1919	5,450	135,722	4.0	92,858	.....	92,858	5.9	73,514	....	73,514	7.4
1920	7,319	206,112	3.6	125,471	.....	125,471	5.8	103,328	....	103,328	7.1
1921	8,285	189,765	4.4	152,511	.....	152,511	5.4	126,537	....	126,537	6.5
1922	8,032	210,941	3.8	140,343	.....	140,343	5.7	111,164	....	111,164	7.2
1923	9,339	255,177	3.7	150,771	.....	150,771	6.2	118,353	....	118,353	7.9
1924	13,171	298,281	4.4	178,920	1,080*	177,840	7.4	141,473	....	141,473	9.3
1925	15,655	297,729	5.3	184,469	3,244*	181,225	8.6	145,127	56	145,183	10.8
1926	14,594	263,105	5.5	172,622	5,379*	167,243	8.7	128,487	233	128,720	11.3
1927	18,023	253,724	7.1	178,557	7,331*	171,226	10.5	128,879	526	129,405	13.9
1928	20,778	287,931	7.2	176,580	8,233*	168,347	12.3	122,752	962	123,714	16.8
1929	24,498	410,950	6.0	230,926	8,233*	222,693	11.0	169,863	1,492	171,355	14.3
1930	13,247	361,478	3.7	289,354	8,233*	281,121	4.7	218,615	2,022	220,637	6.0
1931	10,881	228,956	4.8	282,370	8,233*	274,137	4.0	202,789	2,554	205,343	5.3
Total 1916-1931	$182,488	$3,802,424	4.8	$2,591,595	$49,966*	$2,541,629	7.2	$1,981,912	$7,845	$1,989,757	9.2
Total 1923-1931	$140,186	$2,657,331	5.3	$1,844,569	$49,966*	$1,794,603	7.8	$1,376,338	$7,845	$1,384,183	10.1

*Red.

WESTERN ELECTRIC COMPANY, INC.

PERCENTAGES OF EARNINGS TO SALES AND AVERAGE INVESTMENT—BELL BUSINESS
(As determined by the District Court in its findings of facts, Numbers 18 and 19, R. III, 2518).

(Dollars in thousands)

(Referred to in Brief, pp. 245, 298, 306, 310.)

Year	Earnings as adjusted	Sales	Percentage of earnings to sales	Average investment (before depreciation)			Percentage of earnings to average investment	Average investment, less reserve for depreciation			Percentage of earnings to average investment less reserve for depreciation
				Per Exhibit (R. IV, 2978)	Adjustment by Court	As adjusted by Court		Per Exhibit (R. IV, 2978)	Adjustment by Court	As adjusted by Court	
1916	$ 383	$ 73,915	.5	$ 46,112	$	$ 46,112	.8	$ 36,167	$	$ 36,167	1.1
1917	2,385	104,682	2.3	66,184	.....	66,184	3.6	53,885	.....	53,885	4.4
1918	2,176	79,217	2.7	70,685	.....	70,685	3.1	56,047	.....	56,047	3.9
1919	2,714	80,361	3.4	69,939	.....	69,939	3.9	54,584	.....	54,584	5.0
1920	4,871	130,712	3.7	98,914	.....	98,914	4.9	79,956	.....	79,956	6.1
1921	10,963	142,885	7.7	125,330	.....	125,330	8.7	102,361	.....	102,361	10.7
1922	6,361	159,957	4.0	123,089	.....	123,089	5.2	96,490	.....	96,490	6.6
1923	6,340	188,159	3.4	131,504	.....	131,504	4.8	102,455	.....	102,455	6.2
1924	10,930	233,300	4.7	158,488	1,080*	157,408	6.9	124,613	.....	124,613	8.8
1925	16,333	226,700	7.2	163,085	3,143*	159,942	10.2	126,995	56	127,051	12.9
1926	12,884	247,203	5.2	160,255	5,083*	155,172	8.3	121,745	228	121,973	10.6
1927	16,744	241,062	6.9	167,371	6,873*	160,498	10.4	122,183	505	122,688	13.6
1928	18,104	267,808	6.8	161,378	7,706*	153,672	11.8	113,560	913	114,473	15.8
1929	17,999	372,384	4.8	204,507	7,706*	196,801	9.1	152,880	1,409	154,289	11.7
1930	11,995	338,830	3.5	270,556	7,706*	262,850	4.6	206,497	1,905	208,402	5.8
1931	10,997	219,535	5.0	270,423	7,706*	262,717	4.2	194,624	2,402	197,026	5.6
1932 (3 months x 4)	5,903*	151,472	3.9*	265,253	7,706*	257,547	2.3*	173,599	2,899	176,498	3.3*
Total 1916-1932	$146,276	$3,258,182	4.5	$2,553,073	$54,709*	$2,498,364	5.9	$1,918,641	$10,317	$1,928,958	7.6
Total 1923-1932	$116,423	$2,486,453	4.7	$1,952,820	$54,709*	$1,898,111	6.1	$1,439,151	$10,317	$1,449,468	8.0

*Red.

WESTERN ELECTRIC COMPANY, INC.

EARNINGS ON BELL BUSINESS AS ADJUSTED BY THE COURT IN DETERMINING ITS FINDINGS OF FACTS (Numbers 18 and 19, R. III, 2518) UNDER DATE OF APRIL 29, 1933.

(Referred to in Brief, pp. 245, 298.)

Year	Earnings (R. IV, 2978)	Adjustments: Extraordinary reserve for depreciation	Adjustments: Patents charged to surplus	Adjustments: Federal taxes (R. VI, 3917)	Adjustments: Employees' pension fund	Earnings as adjusted
1916	$ 2,140	$	$1,760*	$ 3	$...	$ 383
1917	2,525	....	207*	67	...	2,385
1918	2,421	....	193*	52*	...	2,176
1919	2,687	....	32*	59	...	2,714
1920	4,855	....	11*	27	...	4,871
1921	11,138	....	6*	169*	...	10,963
1922	6,362	....	3	.4*	...	6,361
1923	6,192	.....	...	148	...	6,340
1924	10,875	....	....	65*	120	10,930
1925	16,252	112	2*	29*	...	16,333
1926	12,551	232	...	101	...	12,884
1927	16,868	321	...	445*	...	16,744
1928	17,284	496	...	324	...	18,104
1929	17,372	496	...	131	...	17,999
1930	11,685	496	...	186*	...	11,995
1931	10,500	497	...	...	...	10,397
1932 (3 months x 4)	6,400*	497	...	...	...	5,903*
Total 1916-1932	$145,307	$3,147	$2,208*	$ 90*	$120	$146,276
Total 1923-1932	$113,179	$3,147	$ 2*	$ 21*	$120	$116,423

*Red

Breakdown of District Cou s Finding of Fair Value.

(Referred to in Brief p. 318, 348, 358.)

	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932
1. Fair Value Found by Court (R. III, 2515)	$130,000,000	$143,000,000	$157,000,000	$16 0,000	$178,000,000	$186,000,000	$200,000,000	$205,000,000	$197,500,000	$185,000,000
2. Reproduction Cost New Jan. 1 (R. III, 2504)	$.....	$148,581,042	$156,452,212	$17 7,055	$178,413,771	$191,820,622	$202,604,906	$219,327,112	$205,570,197(c)	.....
3. Reproduction Cost New Dec. 31 (R. III, 2504)	148,581,042	156,452,212	172,257,055	17 3,771	191,820,622	202,604,906	219,327,112	205,570,197(c)	204,221,442(c)	.....
4. Total	$.....	$305,033,254	$328,709,267	$35 0,826	$370,234,393	$394,425,528	$421,932,018	$424,897,309	$409,791,639	.....
5. Average Reproduction Cost New for the year	141,761,172(a)	152,516,627	164,354,633	17 5,413	185,117,196	197,212,764	210,966,009	212,448,655	204,895,820	.....
6. Reproduction Cost, Less Depreciation (R. III, 2515-6) (b)	$119,079,384	$128,113,967	$138,057,892	$14 1,747	$155,498,445	$165,658,722	$179,321,108	$180,387,207	$174,161,446	.....
7. Going Value (8% of Item 5) (R. III, 2516)	11,340,894	12,201,330	13,148,371	1 6,833	14,809,376	15,777,021	16,877,281	16,977,619	16,391,666	.....
8. Working Cash Capital (R. III, 2505)	3,000,000	3,150,000	3,325,000	0,000	3,825,000	4,050,000	4,500,000	4,550,000	4,250,000	.....
9. Materials and Supplies (R. III, 2505)	233,022	299,310	358,227	6,693	326,599	344,336	276,091	209,784	224,433	.....
10. Average Property in Process of Const. for year (d) (R. III, 2505)	775,247(a)	1,456,394	1,745,270	2,787	3,106,169	4,356,407	2,625,222	3,195,226	2,428,860	.....
11. Total Reprod. Cost Less Deprec. (plus Items 7 to 10)	$134,428,547	$145,221,001	$156,634,760	$16 8,060	$177,565,589	$190,186,486	$203,599,702	$205,319,836	$197,456,405	.....

Notes:

(a) R. IV, 2757—Average for year 1923 was 95.41% of amount as of Dec. 31, 1923.

(b) R. III, 2515-6—Depreciation deducted was 16% for the years 1923 to 1928, inclus and 15% for the succeeding years.

(c) R. III, 2519—There should be a 10% reduction after Nov. 1 1930, from the price harged. This has been applied on total reproduction cost new.

(d) This is the average of the amount in this account at the beginning and end of ea year, except for 1923.

DISTRICT COURT'S FINDING OF CHICAGO INTRASTATE RATE BASE COMPARED WITH CHICAGO INTRASTATE AND ENTIRE COMPANY CAPITALIZATION.

(Referred to in Brief, pp. 316, 317, 525.)

Date	Chicago Intrastate Rate Base Value (R. III, 2515) (1)	Capitalization (R. V, 3083; R. VIII, 4457) Entire Company Chgo. (2)	Intrastate (3)	Ratios (1÷2) (4)	(1÷3) (5)	(2÷3) (6)
1923	$124,200,000	$ 68,879,379	$109,534,949	180.32	113.39	62.88
1924	136,500,000	77,112,884	121,991,786	177.01	111.89	63.21
1925	148,500,000	81,283,422	128,945,216	182.69	115.17	63.04
1926	151,500,000	90,012,379	143,540,937	168.31	105.54	62.71
1927	167,000,000	98,958,006	159,584,479	168.76	104.65	62.01
1928	173,000,000	110,243,288	178,976,140	156.93	96.66	61.60
1929	184,000,000	121,141,156	200,668,245	151.89	91.69	60.37
1930	187,120,000	132,353,939	223,881,995	141.38	83.58	59.12
1931	179,100,000	134,943,494	232,546,446	132.72	77.02	58.03

DEPRECIATION RESERVE BASED ON DISTRICT COURT'S DEPRECIATION EXPENSE FINDING, COMPARED WITH DISTRICT COURT'S DEPRECIATION DEDUCTION IN VALUATION

(Referred to in Brief, pp. 362, 364.)

Year	Ave. Book Cost of Plant (Chgo. Intrastate) (R. VIII, 4456a; R. VIII, 4462c) (1)	Book Depr. Res. based on Cts. Find. of Depr. Exp. (Chgo. Intrastate) (2)	Reserve Ratio (3)	Average Reproduction Cost (Supra, 86) (4)	Court's Depr. Reserve raised to Reprod. Cost (3 x 4) (5)	Court's Deduction for Depr. (R III, 2515-16) (6)	Difference between Columns 5 and 6 (7)
1923	$ 88,663,316	$26,443,943	29.83%	$141,761,172	$42,287,358	$22,681,788	$19,605,570
1924	100,540,215	29,022,592	28.87%	152,516,627	44,031,550	24,402,660	19,628,890
1925	112,486,829	31,636,847	28.12%	164,354,633	46,216,523	26,296,741	19,919,782
1926	123,061,831	34,725,816	27.55%	175,335,413	48,304,906	28,053,666	20,251,240
1927	139,205,005	38,323,830	27.53%	185,117,196	50,962,764	29,618,751	21,344,013
1928	151,459,710	41,459,891	27.37%	197,212,764	53,977,134	31,554,042	22,423,092
1929	162,493,935	42,698,444	26.28%	210,966,009	55,441,867	31,644,901	23,796,966
1930	170,958,739	43,473,376	25.43%	212,448,655	54,025,693	32,061,448	21,964,245
1931	175,710,631	45,232,272	25.74%	204,895,820	52,740,184	30,734,374	22,005,810

Source:

Column (2)—R. III, 2520; R. IV, 2734-42 and 2748; R. V, 3145; R. VII, 4075; R. VIII, 4462.

APPELLEE'S CHICAGO INTRASTATE RATE BASE VALUE ON APPELLANTS' CONTENTIONS.

(Referred to in Brief, pp. 316, 319, 357.)

		1923	1924	1925	1926	1927	1928	1929	1930	1931
(1)	Average book cost of Plant in Service and Gen'l Equip. (R. VIII, 4462c)	$88,663,316	$100,540,215	$112,486,829	$126,061,831	$139,205,005	$151,459,710	$162,493,935	$170,958,739	$175,710,631
(2)	Average Construction Work in Progress (R. IV, 2748-56)	741,457	1,396,651	1,669,110	1,027,205	2,947,393	3,964,356	2,218,755	2,903,485	2,149,762
(3)	Average book cost, plus Const. Work in Progress (Lines 1 and 2)	$89,404,773	$101,936,866	$114,155,939	$127,089,036	$142,152,398	$155,424,066	$164,712,690	$173,862,224	$177,860,393
(4)	Going Value (O.R. I, 44; Ratio R. V, 3083)	4,009,692	4,009,692	4,009,692	4,009,692	4,009,692	4,009,692	4,009,692	4,009,692	4,009,692
(5)	Average Materials and Supplies (R. VIII, 4462)	222,618	284,533	338,324	316,963	306,108	319,489	253,664	190,933	203,648
(6)	Average Working Cash Capital (R. VIII, 4462)	2,915,000	3,060,000	3,225,000	3,440,000	3,695,000	3,840,000	3,975,000	4,050,000	3,809,000
(7)	Total	$96,552,083	$109,291,091	$121,728,955	$134,855,691	$150,163,198	$163,593,247	$172,951,046	$182,112,849	$185,873,733
(8)	Average accrued Dep'n and Amort. of Intangible Capital on basis of Ill. C. C. order of Aug. 16, 1933 (R. VIII, 4462)	26,248,803	28,007,019	29,351,908	30,914,716	32,204,666	32,468,077	30,583,958	28,082,291	27,060,466
(9)	Total Rate Base	$70,303,280	$ 81,284,072	$ 92,377,047	$103,940,975	$117,958,532	$131,125,170	$142,367,088	$154,030,558	$158,813,267
(10)	Total Capitalization (Stock, Debt and Surplus) (R. VIII, 4457-61; R. V, 3083-90)	$68,879,379	$ 77,112,884	$ 81,283,422	$ 90,012,379	$ 98,958,006	$110,243,288	$121,141,156	$132,353,939	$134,943,494

Effect of Variables on Index Numbers.

(Referred to in Brief, pp. 336, 337, 340.)

Material Index.

The effect on the material index of two variables—

(I) Quantities of the various items,

(II) Relations between the price changes of the various items,

is illustrated in the four following cases:

In Case (1) neither variable is assumed to change;

In Case (2) Variable (II) changes while (I) remains constant;

In Case (3) Variable (I) changes while (II) remains constant; and

In Case (4) both variables change.

Case (1).

In this case the quantities are assumed to be the same in both years, and the price changes uniform for all items.

	1923			1912			
Item	Quantity	Price Each	Cost	Quantity	Price Index	Price Each	Cost
a	2	$5	$10	2	81.1	$4.06	$ 8.12
b	5	4	20	5	81.1	3.24	16.20
c	3	2	6	3	81.1	1.62	4.86
Total	10		$36	10			$29.18

Case (2).

In this case, as in Case (1), the quantities are assumed to be the same in both years. While the weighted average change in price levels is assumed to be the same as before, the price changes differ for the different items.

	1923			1912			
Item	Quantity	Price Each	Cost	Quantity	Price Index	Price Each	Cost
a	2	$5	$10	2	90	$4.50	$ 9.00
b	5	4	20	5	80	3.20	16.00
c	3	2	6	3	70	1.40	4.20
Total	10		$36	10			$29.20

Case (3).

In this case the quantities are varied while the price changes are uniform.

	1923			1912			
Item	Quantity	Price Each	Cost	Quantity	Price Index	Price Each	Cost
a	2	$5	$10	4	81.1	$4.06	$16.24
b	5	4	20	4	81.1	3.24	12.96
c	3	2	6	2	81.1	1.62	3.24
Total	10		$36	10			$32.44

Case (4).

In this case the quantities are assumed to change as in Case (3) and the price relationships as in Case (2).

	1923			1912			
Item	Quantity	Price Each	Cost	Quantity	Price Index	Price Each	Cost
a	2	$5	$10	4	90	$4.50	$18.00
b	5	4	20	4	80	3.20	12.80
c	3	2	6	2	70	1.40	2.80
Total	10		$36	10			$33.60

Dividing the total cost in 1912 by the total cost in 1923 and multiplying by 100 in each case gives the following index numbers:

Case (1): $29.18 \div 36 \times 100 = 81.1$

Case (2): $29.20 \div 36 \times 100 = 81.1$

Case (3): $32.44 \div 36 \times 100 = 90.1$

Case (4): $33.60 \div 36 \times 100 = 93.3$

Assuming that the items and quantities placed in 1912 cost at that time $100, which figure entered into the 1912 book cost, applying these indices to convert that book cost to the 1923 level gives the following results:

Cases (1) and (2): $\$100 \div 81.1 \times 100 = \$123.30$

Case (3): $\$100 \div 90.1 \times 100 = \$110.99$

Case (4): $\$100 \div 93.3 \times 100 = \$107.18$

The first result is what Appellee would get by its method, while the differences between that result and the others illustrate the effect of ignoring these variables.

The two following cases increase the change in the two variables used in the above examples:

Case (3-A) is identical with Case (3) except that the variation in quantities is greater; and

Case (4-A) is identical with Case (4) except that the variations in quantities are increased to the same extent as in Case (3-A) and the changes in price relationships are also increased, the *average* 1912 price level (weighted on the basis of the 1923 plant) being kept constant in all cases.

Case (3-A).

	1923			1912			
Item	Quantity	Price Each	Cost	Quantity	Price Index	Price Each	Cost
a	2	$5	$10	6	81.1	$4.06	$24.36
b	5	4	20	3	81.1	3.24	9.72
c	3	2	6	1	81.1	1.62	1.62
Total	10		$36	10			$35.70

Case (4-A).

	1923			1912			
Item	Quantity	Price Each	Cost	Quantity	Price Index	Price Each	Cost
a	2	$5	$10	6	94.3	$4.71	$28.26
b	5	4	20	3	79.4	3.18	9.54
c	3	2	6	1	64.5	1.29	1.29
Total	10		$36	10			$39.09

Making the same computations as before, the result is:

Index Numbers.

Case (3-A): $35.70 \div 36 \times 100 = 99.2$
Case (4-A): $39.09 \div 36 \times 100 = 108.6$

Reproduction Cost as of June 30, 1923.

Case (3-A): $\$100 \div 99.2 \times 100 = \$100.81$
Case (4-A): $\$100 \div 108.6 \times 100 = \$\ 92.08$

ILLINOIS BELL TELEPHONE CO.

ANALYSIS OF EXCESS OF DISTRICT COURT'S FAIR VALUE (AS AN AVERAGE AMOUNT) OVER AVERAGE BOOK COST
ENTIRE CHICAGO AREA

(Referred to in Brief, pp. 8, 318, 324, 329, 353, 356.)

		1923	1924	1925	1926	1927	1928	1929	1930	1931
(1)	Fair Value found by Dist. Ct. (R. III, 2515)	$130,000,000	$143,000,000	$157,000,000	$161,000,000	$178,000,000	$186,000,000	$200,000,000	$205,000,000	$197,000,000
(2)	Depreciation deducted by Dist. Ct. (Supra, 87)	22,681,788	24,402,660	26,296,741	28,053,666	29,618,751	31,554,042	31,644,901	32,061,448	30,734,374
(3)	Value new	$152,681,788	$167,402,660	$183,296,741	$189,053,666	$207,618,751	$217,554,042	$231,644,901	$237,061,448	$228,234,374
(4)	Book cost of Plant including Mat'l. and Supplies, work in Progress and Working Cash Capital (R. IV, 2756-65)	99,456,482	110,419,543	124,169,044	138,674,134	155,469,907	171,200,374	183,425,506	194,926,874	200,257,433
(5)	Increase in Value over book cost	$ 53,225,306	$ 56,983,117	$ 59,127,697	$ 50,379,532	$ 52,148,844	$ 46,353,668	$ 48,219,395	$ 41,134,574	$ 27,976,941
	Analysis of Increase in Value over Book Cost:									
(6)	Land	$ 356,438	$ 471,248	$ 681,465	$ 662,508	$ 800,440	$ 1,204,471	$ 1,364,901	$ 1,383,541	$ 1,126,111
(7)	Buildings	4,519,044	4,740,553	4,713,500	4,829,182	4,798,933	4,503,008	4,899,421	4,550,567	1,443,173
(8)	General Equipment	0	0	0	0	0	0	0	0	0
(9)	Total Land, Buildings and Gen'l Equipment	$ 4,875,482	$ 5,211,801	$ 5,394,965	$ 5,491,690	$ 5,599,373	$ 5,707,479	$ 6,264,322	$ 5,934,108	$ 2,569,284
(10)	Telephone Plant before Dist. Ct. adjustment	25,371,758	24,660,509	22,033,530	17,088,331	11,544,755	8,314,329	6,790,958	7,952,479	8,946,191
(11)	Telephone Plant after Dist. Ct. adjustment	25,371,758	24,660,509	22,033,530	17,088,331	11,544,755	8,314,329	6,790,958	1,743,582*	10,359,548*
(12)	Total Physical Plant before Dist. Ct. adjustment	30,247,240	29,872,310	27,428,495	22,580,021	17,144,128	14,021,808	13,055,280	13,886,587	11,515,475
(13)	Total Physical Plant after Dist. Ct. adjustment	30,247,240	29,872,310	27,428,495	22,580,021	17,144,128	14,021,808	13,055,280	4,190,526	7,790,264*
(14)	Theoretical Overheads before Dist. Court's adjustment (Excess over book overheads)	16,084,801	17,159,795	18,232,454	19,116,952	19,847,020	20,840,017	21,962,866	23,073,281	22,861,466
(15)	Theoretical Overheads after Dist. Court's adjustment (Excess over book overheads)	16,084,801	17,159,795	18,232,454	19,116,952	19,847,020	20,840,017	21,962,866	21,348,775	19,401,003
(16)	Going Value	11,340,894	12,201,330	13,148,371	14,026,833	14,809,376	15,777,021	16,877,281	16,977,619	16,391,666
(17)	Amount required to equal Dist. Court's finding	4,428,547*	2,221,001*	365,240	5,278,060*	434,111	4,186,486*	3,599,702*	319,836*	43,595
(18)	Total increase in Value	$ 53,244,388	$ 57,012,434	$ 59,174,560	$ 50,445,746	$ 52,234,935	$ 46,452,360	$ 48,295,725	$ 42,197,084	$ 28,046,000
		1923	1924	1925	1926	1927	1928	1929	1930	1931
	Analysis of Book Costs:									
(19)	Land	$ 1,668,765	$ 1,642,896	$ 1,674,639	$ 1,878,896	$ 2,118,268	$ 2,044,442	$ 2,004,550	$ 2,113,886	$ 2,184,867
(20)	Buildings	8,764,790	9,698,991	10,427,473	10,799,456	11,142,489	11,892,017	12,683,868	13,529,242	14,127,203
(21)	General Equipment	1,440,449	1,597,789	1,768,214	1,948,871	2,194,411	2,482,884	2,708,353	2,846,592	2,869,055
(22)	Total	$ 11,774,004	$ 12,939,676	$ 13,870,326	$ 14,627,223	$ 15,455,168	$ 16,419,343	$ 17,396,771	$ 18,489,720	$ 19,181,125
(23)	Telephone Plant	79,815,373	88,186,135	99,694,527	113,015,502	125,847,806	138,172,502	149,640,730	158,385,464	163,048,259
(24)	Total Physical Plant	$ 91,589,377	$101,125,811	$113,564,853	$127,642,725	$141,302,974	$154,591,845	$167,037,501	$176,875,184	$182,229,384
(25)	Overheads	3,839,754	4,358,711	5,128,832	5,995,715	6,823,076	7,759,095	8,910,362	10,034,174	11,055,697
(26)	Total Book Cost	$ 95,429,131	$105,484,522	$118,693,685	$133,638,440	$148,126,050	$162,350,940	$175,947,863	$186,909,358	$193,285,081
			1923	1924	1925	1926	1927	1928	1929	1930	1931
	Percentage of Increase in Value over Book Cost:										
(27)	Buildings	(7÷20)	51.56%	48.88%	45.20%	44.72%	43.07%	37.87%	38.63%	33.64%	10.22%
(28)	Land Buildings and General Equipment	(9÷21)	41.41%	40.28%	38.90%	37.54%	36.23%	34.76%	36.01%	32.09%	13.39%
(29)	Telephone Plant, before Dist. Ct. adjustment	(10÷23)	30.15%	27.96%	22.10%	15.12%	9.17%	6.02%	4.54%	5.02%	5.49%
(30)	Telephone Plant, after Dist. Ct. adjustment	(11÷23)	30.15%	27.96%	22.10%	15.12%	9.17%	6.02%	4.54%	1.10%*	6.35%*
(31)	All Physical Plant, before Dist. Ct. adjustment	(12÷24)	33.02%	29.54%	24.15%	17.55%	12.13%	9.07%	7.82%	7.85%	6.32%
(32)	All Physical Plant, after Dist. Ct. adjustment	(13÷24)	33.02%	29.54%	24.15%	17.55%	12.13%	9.07%	7.82%	2.36%	4.27%*
(33)	Overhead Costs, before Dist. Ct. adjustment	(14÷25)	419.00%	394.00%	355.00%	319.00%	291.00%	269.00%	246.00%	230.00%	207.00%

(16)	Going value	11,840,854	12,201,855	12,116,014	11,838,286	11,803,975	10,771,922	10,571,922	10,571,922	10,571,922
(17)	Amount required to equal Dist. Court's finding	4,428,547*	2,221,001*	365,240	5,278,060*	434,411	4,186,486*	3,599,702*	319,836*	43,595
(18)	Total increase in Value	$ 53,244,388	$ 57,012,434	$ 59,174,560	$ 50,445,746	$ 52,234,935	$ 46,452,360	$ 48,295,725	$ 42,197,084	$ 28,046,000

Analysis of Book Costs:	1923	1924	1925	1926	1927	1928	1929	1930	1931
(19) Land	$ 1,568,765	$ 1,642,896	$ 1,674,639	$ 1,878,896	$ 2,118,268	$ 2,044,442	$ 2,004,550	$ 2,113,886	$ 2,184,867
(20) Buildings	8,764,790	9,698,991	10,427,473	10,799,456	11,142,489	11,892,017	12,683,868	13,529,242	14,127,203
(21) General Equipment	1,440,449	1,597,789	1,788,214	1,948,871	2,194,411	2,482,884	2,708,353	2,846,592	2,869,055
(22) Total	$ 11,774,004	$ 12,939,676	$ 13,890,326	$ 14,627,223	$ 15,455,168	$ 16,419,343	$ 17,396,771	$ 18,489,720	$ 19,181,125
(23) Telephone Plant	79,815,373	88,186,135	99,694,527	113,015,502	125,847,806	138,172,502	149,640,730	158,385,464	163,048,259
(24) Total Physical Plant	$ 91,589,377	$101,125,811	$113,564,853	$127,642,725	$141,302,974	$154,591,845	$167,037,501	$176,875,184	$182,229,384
(25) Overheads	3,839,754	4,358,711	5,128,832	5,995,715	6,823,076	7,759,095	8,910,362	10,034,174	11,055,697
(26) Total Book Cost	$ 95,429,131	$105,484,522	$118,693,685	$133,638,440	$148,126,050	$162,350,940	$175,947,863	$186,909,358	$193,285,081

Percentage of Increase in Value over Book Cost:		1923	1924	1925	1926	1927	1928	1929	1930	1931
(27) Buildings	(7÷20)	51.56%	48.88%	45.20%	44.72%	43.07%	37.87%	38.63%	33.64%	10.22%
(28) Land Buildings and General Equipment	(9÷21)	41.41%	40.28%	38.90%	37.54%	36.23%	34.76%	36.01%	32.09%	13.39%
(29) Telephone Plant, before Dist. Ct. adjustment	(10÷23)	30.15%	27.96%	22.10%	15.12%	9.17%	6.02%	4.54%	5.02%	5.49%
(30) Telephone Plant, after Dist. Ct. adjustment	(11÷23)	30.15%	27.96%	22.10%	15.12%	9.17%	6.02%	4.54%	1.10*%	6.35*%
(31) All Physical Plant, before Dist. Ct. adjustment	(12÷24)	33.02%	29.54%	24.15%	17.55%	12.13%	9.07%	7.82%	7.85%	6.32%
(32) All Physical Plant, after Dist. Ct. adjustment	(13÷24)	33.02%	29.54%	24.15%	17.55%	12.13%	9.07%	7.82%	2.36%	4.27*%
(33) Overhead Costs, before Dist. Ct. adjustment	(14÷25)	419.00%	394.00%	355.00%	319.00%	291.00%	269.00%	246.00%	230.00%	207.00%
(34) Overhead Costs, after Dist. Ct. adjustment	(15÷25)	419.00%	394.00%	355.00%	319.00%	291.00%	269.00%	246.00%	213.00%	176.00%

Sources—(1) R. III, 2515.
(2) Supra, 87.
(4) R. IV, 2756-65.
(6-15) R IV, 2674a-2675.

District Court adjustment is 10% on Reproduction cost new as of Dec. 31, 1930, and 1931 as shown in District Court's opinion R. III, 2504. The effect of this adjustment on the average value for the year was $11,420,567 in 1930 and $22,766,202 in 1931. These amounts were pro rated between "Telephone Plant" and "Overheads." Overheads on land excluded per R. IV, 2670a-2671.

(16-17) Supra, 86.
(19-26) R. IV, 2674a-2675

Averages for 1923 computed on basis of ratio of average Book Value to Dec. 31st Book Value per R. IV, 2757.
*Red figures.

APPELLEE'S REPRODUCTION COST NEW ESTIMATE OF TELEPHONE PLANT
CHICAGO AREA

(Referred to in Brief, p. 328.)

Source R. IV—	1923 (R. IV, 2599)	1924 (R. IV, 2639)	1925 (R. IV, 2642-43)	1926 (2649-50)	1927 (2652)	1928 (2654)	1929 (2656)	1930 (2658-59)	1931 (2660-61)
Total Cost of Reproduction of Physical Property Exclusive of General Equipment	$126,188,207	$132,612,456	$145,837,811	$150,709,939	$161,795,442	$170,466,095	$184,302,761	$191,527,597	$190,224,011
Deduct:—									
Land	$ 2,017,821	$ 2,210,466	$ 2,501,741	2,581,066	$ 3,256,350	$ 3,241,475	$ 3,497,427	$ 3,497,427	$ 3,124,530
Buildings	13,922,895	14,956,193	15,325,753	15,931,523	15,951,321	16,838,729	18,327,848	17,831,770	13,308,981
Omissions and Contingencies	539,236	497,238	443,535	372,705	327,154	314,823	311,333	304,168	295,072
Total Deductions	$ 16,479,952	$ 17,663,897	$ 18,271,029	$ 18,885,294	$ 19,534,825	$ 20,395,027	$ 22,136,608	$ 21,633,365	$ 16,728,583
Total Telephone Plant	109,708,255	114,948,559	127,566,782	131,824,645	142,260,617	150,071,068	162,166,153	169,894,232	173,495,428

Ratio of Appellee's Depreciation Reserve to Appellee's Average Book Cost of Plant.

(Referred to in Brief, p. 362.)

Year	Actual Depreciation Reserve per Plaintiff's Books (R. III, 2454)	Book Depreciation Reserve based on Court's Finding Appendix, p. 87; R. VIII, 4456a-62c
1923	29.37%	29.83%
1924	28.94	28.87
1925	28.25	28.12
1926	28.19	27.55
1927	28.32	27.53
1928	27.98	27.37
1929	26.70	26.28
1930	26.91	25.43
1931	28.11	25.74

Ratio of Appellee's Going Value to Appellee's Capitalization.

	District Court's Allowance for Going Value (Appendix, p. 86). (1)	Capitalization (R. V, 3082a-90) (2)	Ratio (3)
1923	$11,340,844	$ 68,594,168	16.5%
1924	12,201,330	76,495,497	16.0
1925	13,148,371	80,114,637	16.4
1926	14,026,833	88,718,276	15.8
1927	14,809,376	97,067,716	15.3
1928	15,777,021	108,258,203	14.6
1929	16,877,281	118,963,989	14.2
1930	16,977,619	130,439,612	13.0
1931	16,391,666	148,534,391 (a)	11.0

(a) Sources: R. VII, 4075, 4077; R. VIII, 4794; R. IV, 2756 and 2779.

CHICAGO INTRASTATE TOTAL DEPRECIATION EXPENSE.

DISTRICT COURT'S INTRASTATE DEPRECIATION EXPENSE ALLOWANCE COMPARED WITH ALLOWANCE FIXED IN COMMISSION'S ORDERS AND WITH APPELLEE'S RECORDED AND CLAIMED DEPRECIATION EXPENSE CHARGES.

(Referred to in Brief, pp. 7, 11, 379, 389, 488, 493, 495.)

Year	Court's Finding No. 26 (R. III, 2520) (1)	Recorded Charges (R. V, 3145; R. IV, 2734-42) (2)	Excess Recorded Charges over Court's Finding (3)	Ratio Col. 3 of Col. 2 (4)	(R. VII, 4072a-73; R. IV, 2734-42 (Ratios)) 1920 Order (5)	Excess 1920 Order over Court's Finding (6)	Ratio Col. 6 of Col. 5 (7)	1923 Order (8)	Excess 1923 Order over Court's Finding (9)	Ratio Col. 9 of Col. 8 (10)	Appellee's Claimed Amount (R. III, 2401-2) (11)	Excess over Court's Allowance (12)	Ratio Col. 12 of Col. 11 (13)
1923....	$4,000,000	$4,221,515	$ 221,515	5%	$2,668,612	$ 1,331,388*	50%	$2,477,582	$ 1,522,418*	61%	$5,662,154	$ 1,662,154	29%
1924....	4,250,000	4,469,890	219,890	5	3,133,458	1,116,542*	36	3,050,327	1,199,673*	39	6,382,159	2,132,159	33
1925....	4,750,000	5,048,013	298,013	6	3,557,954	1,192,046*	34	3,489,478	1,260,522*	36	6,768,618	2,018,618	30
1926....	5,400,000	5,767,372	367,372	6	4,108,871	1,291,129*	31	3,582,203	1,817,797*	51	7,217,128	1,817,128	25
1927....	6,000,000	6,334,580	334,580	5	4,576,498	1,423,502*	31	3,513,803	2,486,197*	71	7,608,468	1,608,468	21
1928....	6,650,000	7,009,065	359,065	5	5,077,556	1,572,444*	31	3,506,518	3,143,482*	90	7,981,108	1,331,108	17
1929....	7,000,000	7,436,480	436,480	6	5,580,737	1,419,263*	25	3,549,928	3,450,072*	97	8,148,888	1,148,888	14
1930....	7,200,000	7,864,772	664,772	8	5,906,180	1,293,820*	22	3,886,422	3,313,578*	85	8,581,118	1,381,118	16
1931....	7,400,000	8,133,289	733,289	9	6,114,329	1,285,671*	21	4,914,865	2,485,135*	51	8,934,628	1,534,628	17
			$3,634,976			$11,925,805*			$20,678,874*			$14,634,269	

* Red.

APPELLEE'S UNDEPRECIATED BOOK INVESTMENT IN SERVICE IN BUILDINGS AND CENTRAL OFFICE EQUIPMENT.

(Referred to in Brief, pp. 11, 403.)

	Buildings (R. VII, 4076a)	Central Office Equipment Dial (R. VII, 4089)	Central Office Equipment Manual (R. VII, 4089)	Total Building and Central Office Equipment
Dec. 31st, 1923	$ 9,423,101	$ 5,064,290	$22,401,087	$36,888,478
Dec. 31st, 1924	10,492,907	5,081,564	24,768,279	40,342,750
Dec. 31st, 1925	10,951,361	7,233,994	28,596,174	46,781,529
Dec. 31st, 1926	11,286,589	8,143,909	32,985,481	52,415,979
Dec. 31st, 1927	11,684,164	8,534,298	35,962,474	56,180,936
Dec. 31st, 1928	12,863,730	13,271,384	37,623,638	63,758,752
Dec. 31st, 1929	13,344,977	16,968,323	37,981,906	68,295,206
Dec. 31st, 1930	14,721,615	17,253,455	40,104,402	72,079,472
Dec. 31st, 1931	14,699,599	20,888,253	39,187,914	74,775,766

COMPARISON OF APPELLEE'S RECORDED DEPRECIATION EXPENSE CHARGES WITH THOSE FIXED UNDER 1920 AND 1923 ORDERS.

(Referred to in Brief, pp. 11, 404.)

	Recorded Expense Charges			Decrease in allowance of 1923 Order Under 1920 Order		Excess of Recorded Charges over allowance of 1920 Order		Excess of Recorded Charges over allowance of 1923 Order
Year	Total (Acct. 608 (R. IV, 2859) (1)	Buildings & C. O. Equip. (R. VII, 4080a) (2)	Ratio of col. (2) to col. (1) (3)	Amount (R. VII, 4071, 4072a) (4)	Ratio of col. (2) to col. (4) (5)	Amount (R. VII, 4072a) (6)	Ratio of col. (2) to col. (6) (7)	Amount (R. VII, 4071; R. V, 3145)
1923	$4,480,954	$2,234,177	50%	$ 203,375	986%	$1,639,889	136%	$1,843,264
1924	4,709,950	2,223,132	47	87,858	2530	1,398,326	159	1,486,184
1925	5,385,712	2,475,699	46	73,268	3379	1,578,785	157	1,652,053
1926	6,203,022	2,913,526	47	567,959	513	1,772,017	164	2,339,976
1927	6,839,392	3,208,885	47	1,150,352	279	1,885,400	170	3,035,752
1928	7,641,461	3,491,328	46	1,715,669	204	2,096,461	167	3,812,130
1929	8,120,382	3,840,800	47	2,221,163	173	2,016,546	190	4,237,709
1930	8,769,886	4,203,213	48	2,255,453	186	2,174,487	193	4,429,940
1931	9,146,268	4,445,298	49	1,350,900	329	2,259,987	197	3,610,887

EXCESS OF APPELLEE'S CLAIMED DEPRECIATION EXPENSE CHARGES ON BASES OF REPRODUCTION COST OVER ITS RECORDED DEPRECIATION EXPENSE CHARGES (SUPRA, 95).

(Referred to in Brief, p. 433.)

1923	$1,440,639
1924	1,912,269
1925	1,720,605
1926	1,449,756
1927	1,273,888
1928	972,043
1929	712,408
1930	716,346
1931	801,339

Statutory Provisions Relating to Depreciation Expense Charges.

(Referred to in Brief, pp. 386, 387.)

Alabama—Code of 1928, Annotated

§ 9769, p. 1758 (1920 Stat. § 23, p. 38).

"§ 9769. Facilities, equipment, improvements and maintenance required.

Every utility shall maintain its plant, facilities and equipment in good operating condition and shall set up and maintain proper reserves for renewals, replacements and reasonable contingencies. Every utility shall render adequate service to the public and shall make such reasonable improvements, extensions and enlargements of its plants, facilities and equipment as may be necessary to meet the growth and demand of the territory which it is under the duty to serve. (Ib. § 23.)"

Arizona—Revised Statutes 1913 (Civil Code)

Title 9, § 2325, p. 807 (Laws 1912, C. 90, Sec. 49, p. 530-531).

"§ 2325. The commission shall have power, after hearing, to require any or all public service corporations to

carry a proper and adequate depreciation account in accordance with such rules, regulations and forms of account as the commission may prescribe. The commission may, from time to time, ascertain and determine and by order fix the proper and adequate rates of depreciation of the several classes of property for each public service corporation. Each public service corporation shall conform its depreciation accounts to the rates so ascertained, determined and fixed, and shall set aside the moneys so provided for out of earnings and carry the same in a depreciation fund and expend such fund only for such purposes and under such rules and regulations, both as to original expenditure and subsequent replacement, as the commission may prescribe. The income upon investments of moneys in such fund shall likewise be carried in such fund."

California—Deering Gen. Laws 1923

Vol. 2, Act. 6386, § 49, p. 2721 (Stat. 1915, p. 115).

§ 49. Depreciation Account. SAME AS ARIZONA.

Colorado—Compiled Laws 1921

§ 2945, p. 928 (Laws, 1913, § 33, p. 480).

§ 2945. Depreciation Account—Rules—Fund. Sec. 35. SAME AS ARIZONA AND CALIFORNIA.

Idaho—Compiled Statutes 1919

Vol. 1, § 2473, p. 703 (Laws, 1913, C. 61, § 47, p. 276).

§ 2473. Depreciation Account. SAME AS ARIZONA, CALIFORNIA AND COLORADO.

Illinois—Cahill's Rev. Stat. 1929

C. 111a, § 29, p. 2045. (Acts 1913, Public Utilities, Art. II, § 14, p. 468.)

"Art. II. Reports and Accounts. § 14. The Commission shall have power, after hearing, to require any or all public utilities to keep such accounts as will adequately reflect depreciation, obsolescence and the progress of the arts. The Commission may, from time to time, ascertain and determine and by order fix the proper and adequate rate of depreciation of the several classes of property for each public utility; and each public utility shall conform its depreciation accounts to the rates so ascertained, determined and fixed."

Indiana—Burns Annotated Statutes, 1926

Vol. 3, § § 12693-12696, p. 1245 (Laws 1913, § § 22-25, p. 176, § § 22, 25, as Amended, Acts 1925, p. 210).

"12693 (10052v.) Depreciation Account and Rates. 22. Every public utility shall carry a separate, proper and adequate depreciation account whenever the commission after investigation, shall determine that such depreciation account reasonably can be required. The commission, from time to time, shall ascertain and determine the proper and adequate rates of depreciation of the several classes of property of each public utility. The rates, tolls, and charges shall be such as will provide the amounts required over and above the reasonable and necessary operating expenses, to maintain such property in an operating state of efficiency corresponding to the progress of the industry. Each public utility shall conform its

depreciation accounts to such rates, so ascertained and determined by the commission. The commission shall make changes in such rates of depreciation, from time to time, as it may find necessary."

12694. (10052w.) Rules of Depreciation. 23. The commission shall also prescribe rules, regulations and forms of accounts regarding such depreciation, which the public utility is required to carry into effect.

12695. (10052x.) Rates, Depreciation. 24. The commission shall provide for such depreciation in fixing the rates, tolls and charges to be paid by the public.

12696. (10052y.) Depreciation Fund.—Use and Investment. 25. All money thus provided shall be set aside out of the earnings and carried in a separate depreciation fund. The money in this fund shall be applied first to depreciation expenses. Any balance in the fund, not applied to depreciation expenses, may be invested by the public utility or extended temporarily by it for new construction, extensions or additions to its utility property. This fund shall be used for no other purpose. If invested, the income from the investment shall be carried into and become a part of the depreciation fund. Any balance, not applied to depreciation expenses, shall always remain a part of the depreciation fund. In no event shall moneys, temporarily expended from this fund for new construction, extensions or additions to the property, be carried into or considered a part of the capital account of such public utility. Upon the sale of any public utility property, to continue in operation as such, the balance in the depreciation fund, unexpended for depreciation expenses, shall be transferred to the purchaser and by the purchaser shall be held, administered and used as herein authorized and required."

Massachusetts—Mass. Gen. Laws, 1921

P. 1624 (Acts and Resolves 1921, Chap. 268, p. 308, inserting new § 5A after § 5).

"Section 1. Chapter one hundred and fifty-five of the General Laws is hereby amended by inserting after Section 5 the following new section—Section 5A. If, when the department of public utilities, as required by law, approves an issue of stock, bonds, coupon notes or other evidences of indebtedness of a company under its supervision, or passes upon the price, rates, charges or service of such company, it determines that the provision made by such company for the depreciation of its property has been inadequate, the department shall order such company to set aside out of earnings such allowances for depreciation and for such period or periods as the department may from time to time prescribe. All moneys required by such order to be so set aside shall be kept as a separate fund and shall not, without the further order of the department, be used for any other purpose than for renewals other than ordinary repairs, or for extensions, reconstruction and enlargements of and additions to plant, and the department shall prescribe in its order such requirements relative to the creation and maintenance of such fund and its devotion to such aforesaid authorized uses as it may deem advisable. All orders and decisions of the department under the provisions of this section shall be enforced as provided in section sixteen of chapter one hundred and sixty-four.

Section 2. Nothing in this act shall be construed to limit or affect the power or authority of any public board of trustees of a street railway company, nor to authorize any order inconsistent with the laws of the United States or rules and orders adopted under authority thereof."

Massachusetts—General Laws, 1921

Vol. 2, Chap. 164, § 57, p. 1818 (Acts and Resolves 1905, C. 410, § 4, as amended Acts 1906, C. 411, Acts 1908, C. 486).

"Section 57. At the beginning of each fiscal year, the manager of municipal lighting shall furnish to the mayor, selectmen or municipal light board, if any, an estimate of the income from sales of gas and electricity to private consumers during the ensuing fiscal year, and of the expense of the plant during said year, meaning the gross expenses of operation, maintenance and repair, the interest on the bonds, notes or certificates of indebtedness issued to pay for the plant, an amount for depreciation equal to three per cent of the cost of the plant exclusive of land and any water power appurtenant thereto, or such smaller or larger amounts as the department may approve, the requirements of the sinking fund or debt incurred for the plant, and the loss, if any, in the operation of the plant during the preceding year, and of the cost, as defined in the following section, of the gas and electricity to be used by the town. The town shall include in its annual appropriations and in the tax levy not less than the estimated cost of the gas and electricity to be used by the town as above defined and estimated. By cost of the plant is intended the total amount expended on the plant to the beginning of the fiscal year for the purpose of establishing, purchasing, extending or enlarging the same. By loss in operation is intended the difference between the actual income from private consumers plus the appropriations for maintenance for the preceding fiscal year and the actual expense of the plant, reckoned as above, for that year in case such expenses exceeded the amount of such income and appropriation. The income from sales and the money ap-

propriated as aforesaid shall be used to pay the annual expense of the plant, defined as above, for the fiscal year, except that no part of the sum therein included for depreciation shall be used for any other purpose than renewals in excess of ordinary repairs, extensions, reconstruction, enlargements and additions. The surplus, if any, of said annual allowances for depreciation after making the above payments shall be kept as a separate fund and used for renewals other than ordinary repairs, extensions, reconstruction, enlargements and additions in succeeding years; and no debt shall be incurred under section forty for any extension, reconstruction or enlargements of the plant in excess of the amount needed therefor in addition to the amount then on hand in said depreciation fund. Said depreciation fund shall be kept and managed by the town treasurer as a separate fund, subject to appropriation by the city council or selectmen or municipal light board, if any, for the foregoing purpose. So much of said fund as the department may from time to time approve may also be used to pay notes, bonds or certificates of indebtedness issued to pay for the cost of reconstruction or renewals in excess of ordinary repairs, when such notes, bonds or certificates of indebtedness become due. All appropriations for the plant shall be either for the annual expense defined as above, or for extensions, reconstruction, enlargements or additions; and no appropriation shall be used for any purpose other than that stated in the vote making the same. No bonds, notes or certificates of indebtedness shall be issued by a town for the annual expenses as defined in this section."

Minnesota—Gen. Stat. 1923

§ 5305, p. 733 (Laws, 1915, C. 152, § 1a, p. 213).

§ 5305. Commission Given Right to Change Annual Depreciation Charge. The commission may fix and from time to time change the annual depreciation charge which shall be made by each telephone company which charge shall be sufficient to provide the amounts required over and above the expense of current maintenance, to keep its property in a state of efficiency corresponding to the needs and progress of the industry. Such depreciation fund shall be carried in a separate account and moneys in this fund may be invested and the income thereof returned to such depreciation fund or said moneys may be expended in renewals or in new construction."

Missouri—Rev. Stat. 1919

§§ 10,470, 10,488 and 10,512, pp. 3250, 3266, 3283 (Laws, 1913, pp. 599, 617, 636).

"Sec. 10470. Power of Commission to Require Depreciation Account of Common Carriers. The commission shall have power after hearing, to require any or all railroad corporations, street railroad corporations or common carriers to carry a proper and adequate depreciation account in accordance with such rules, regulations and forms of account as the commission may prescribe. The commission may, from time to time, ascertain and determine and by order fix the proper and adequate rates of depreciation of the several classes of property of such corporation, person or public utility. Each railroad corporation, street railroad corporation and common carrier shall conform its depreciation accounts to the rates so ascertained, determined and fixed, and shall set aside the moneys

so provided for out of earnings and carry the same in a depreciation fund and expend such fund only for such purposes and under such rules and regulations, both as to original expenditure and subsequent replacement as the commission may prescribe. The income from investments of moneys in such fund shall likewise be carried in such fund."

"Sec. 10488. Power of commission to require depreciation account of gas, electrical and water corporations." Same as above.

"Sec. 10512. Power of commission to require depreciation account of telegraph corporations and telephone corporations." Same as above.

Nebraska—Const. Art. 10

§ 5 Const. as amended; 1920 (Comp. Stat. 1922, p. 96).

"Sec. 5. The capital stock of public utility corporations or common carriers shall not be increased for any purpose, except after public notice for sixty days, and in such manner as may be provided by law. No dividend shall be declared or distributed except out of net earnings after paying all operating expenses, including a depreciation reserve sufficient to keep the investment intact."

New Hampshire—P. L. 1926

Vol. 2, Chap. 240, § § 9, 10, 11, p. 936 (N. H. Laws, 1913, C. 98:1).

"9. Depreciation, Account. Every public utility shall carry a proper and adequate depreciation account whenever the commission shall determine that such depreciation account can reasonably be required and shall so order.

Every public utility shall conform its depreciation account to such rules, regulations and forms as may be prescribed by the commission.

"10. ....., Use of Fund. The depreciation fund may be expended in new construction, extensions or additions to the property of the public utility, or invested, and, if invested, the income from the investment shall be added to the depreciation fund. Such fund may be used only for new construction, extensions or additions to physical property or for renewing, restoring, replacing or substituting depreciated property in order to keep its plant and system in a state of repair and efficiency.

"11. Declaring Dividends. No public utility shall declare or pay any dividend except out of net corporate income, and except after setting aside such depreciation reserve, if any, as it may carry in compliance with the provisions of Section 9; provided, that this section shall not prevent the payment of dividends in any year out of any undistributed balance of such net corporate income previously accumulated."

New Jersey—1911-1924, Cum. Supp. to Comp. Stat.

Vol. 2, *167-17 (f), p. 2883 (Laws, 1911, C. 195, § 16 (f), p. 378).

"Depreciation Account. (f) to Carry, whenever in the judgment of the board it may reasonably be required, for the protection of stockholders, bondholders or creditors, a proper and adequate depreciation account in accordance with such rules, regulations and forms of account as the board may prescribe. The board shall from time to time ascertain and determine, and by order in writing after hearing fix proper and adequate rates of depreciation of

the property of each public utility, in accordance with such regulations or classifications, which rates shall be sufficient to provide the amounts required over and above the expense of maintenance to keep such property in a state of efficiency corresponding to the progress of the industry. Each public utility shall conform its depreciation accounts to the rates so ascertained, determined and fixed, and shall set aside the moneys so provided for out of earnings and carry the same in a depreciation fund. The income from investments of moneys in such fund shall likewise be carried in such fund. This fund shall not be expended otherwise than for depreciation, improvements, new construction, extensions or additions to the property of such public utility."

Ohio—Page's New Annotated Ohio General Code, 1926

§§ 614-49, 614-50. (Ohio Laws, Vol. 102, pp. 563-564).

"Sec. 614-49). Depreciation Account. § 51. Every public utility shall carry a proper and adequate depreciation or deferred maintenance account, whenever the commission after investigation shall determine that a depreciation account can be reasonably required. The commission shall ascertain, determine and prescribe what are proper and adequate charges for depreciation of the several classes of property for each public utility. The charge for depreciation shall be such as will provide the amount required over and above the cost and expense of maintenance to keep the property of the public utility in a state of efficiency corresponding to the progress of the art or industry. The commission may prescribe such changes in such charges for depreciation from time to time as it may find necessary.

"Sec. 614-50. Depreciation Fund. § 52. The moneys for depreciation charges thus provided for shall be set aside out of the earnings and carried as a depreciation fund. The moneys in such fund may be expended in new construction, extensions or additions to the property of the public utility, or invested, and if invested, the income from the investment shall also be carried in the depreciation fund. Such fund and the proceeds thereof, may be used for the purpose of renewing, restoring, replacing or substituting depreciated property in order to keep the plant in a state of efficiency. Such fund and the proceeds or income therefrom shall be used for no purpose other than as provided in this section, except upon the approval of the commission."

Oregon—Olson's Laws 1920

Vol. 2, § 6046, p. 2422 (Laws, 1911, C. 276, § 18).

"§ 6046. Depreciation Accounts, Application of Funds. Every public utility shall carry a proper and adequate depreciation account whenever the commission after investigation shall determine that such depreciation account can be reasonably required. The commission shall ascertain and determine what are the proper and adequate rates of depreciation of the several classes of property of each public utility. The rates shall be such as will provide the amounts required over and above the expenses of maintenance, to keep such property in a state of efficiency corresponding to the progress of the industry. Each public utility shall conform its depreciation accounts to such rates so ascertained and determined by the commission. The commission may make changes in such rates of depreciation from time to time as it may find to be necessary.

The commission shall also prescribe rules, regulations and forms of accounts regarding such depreciation which the public utility is required to carry into effect.

The commission shall provide for such depreciation in fixing the rates, tolls and charges to be paid by the public.

All moneys thus provided for shall be set aside out of the earnings and carried in a depreciation fund. The moneys in this fund may be expended in replacements, new construction, extensions or additions to the property of such public utility, or invested, and if invested the income from the investments shall also be carried in the depreciation fund. This fund and the proceeds thereof shall be used for no other purpose than as provided in this section and for depreciation."

Pennsylvania—Stat. 1920 (West Pub. Co.)

§ 18,066, p. 1742 (Laws, 1913, p. 1380).

"§ 18066. Duty as to Keeping Accounts, Records, Etc.; Application to Municipal Corporations. To adopt, use and keep, in conducting its business, such form, method, system, or systems of accounts, records, and memoranda as shall be prescribed by the commission; to carry no charges in any operating account which should properly be charged to the capital account, or vice versa; to carry a proper and reasonable depreciation account, if required so to do by order of the commission; and to obey and abide by all the regulations and orders of the commission concerning such accounts, records, and memoranda, and the keeping of the same: Provided, That this subsection shall also apply to all municipal corporations, with respect to the accounts, records, and memoranda relating to the rendering or furnishing by them to the public of any service

of the kind or character rendered or furnished by public service companies, and to the making of reports in relation thereto: And provided further, That all corporations and persons, operating under lease or other contract any such plant or other facilities, owned by such municipal corporation, shall adopt, use, and keep, in respect to such operation of such plant, or other facilities under such lease or contract, such form or system of accounts as shall be adapted to and reasonable under the circumstances, and consistent with the obligations of such lease or contract, or of any contract made in pursuance thereof, and shall conform to such orders as the commission, on hearing, may make in respect to such form or system of accounts, and shall make such reports in relation thereto as may be required by the commission."

Tennessee—Shannon's Anno. Code, 1926 Supp.

§ 3059a88 (c), p. 733 (Public Acts, 1919, C. 49, § 5 (c) p. 147).

"3059a88. Power to Require What Public Utilities. The railroad and public utilities commission of Tennessee shall have power, after hearing, upon notice, by order in writing, to require every public utility as herein defined:

(c) Depreciation Account for Protection of Stockholders, Bondholders, Etc. To carry for the protection of stockholder (stockholders), bondholders or securities a proper and adequate depreciation account in accordance with such rules, regulations, and forms of account as the commission may prescribe. The commission shall have power to ascertain and determine, and by order in writing, after hearing, fix proper and adequate rates of depreciation of the property of each public utility, and each public utility shall conform its depreciation accounts to

the rates so ascertained, determined, and fixed, and shall set aside the moneys so provided for out of earnings and carry the same in a depreciation fund. The income from investments of moneys in such fund shall likewise be carried in such fund. This depreciation fund shall not be expended otherwise than for depreciation, improvements, new constructions, extensions, or additions to the property of such public utility, unless the commission shall by order in writing give permission to the public utility to divert the fund to purposes other than those herein named."

Utah—Compiled Laws of Utah, 1917

Title 91, C. 4, (4818) p. 980 (Laws, 1917, C. 47, Art. IV, § 20, p. 157).

"4817. Depreciation Fund. The commission shall have power to require any or all public utilities to carry a proper and adequate depreciation account in accordance with such rules, regulations, and forms of account as the commission may prescribe. The commission may, from time to time, ascertain and determine and by order fix the proper and adequate rates of depreciation of the several classes of property of each public utility. Each public utility shall conform its depreciation accounts to the rates so ascertained, determined and fixed, and shall set aside the money so provided for out of earnings and carry the same in a depreciation fund and expend such fund only for such purposes and under such rules and regulations, both as to original expenditure and subsequent replacement, as the commission may prescribe. The income upon investments of money in such fund shall likewise be carried in such fund."

Wisconsin—Statutes, 1931

Sec. 190.09, p. 1610-11; Laws 1931, C. 183, s. 3.

"Depreciation rates and practices; findings by commission; dividends from reserves; retirements.

(1) Every public utility shall file with the commission, within such time as may be required by the commission, its estimate of the average annual rate of depreciation required for each of its classes of fixed capital used for public utility purposes, and of the composite annual rate of depreciation required for such fixed capital as an aggregate, which shall constitute the public utility's estimates of the amount which should be returned to it out of its rates for service, to meet the depreciation of its property.

(2) After the submission of such estimates, the commission shall review the same. If it shall determine that the estimates submitted are reasonable and proper, it shall certify that determination to the public utility. If it shall determine that the estimates submitted are not reasonable and proper, it shall certify to the public utility the percentages which it considers reasonable and proper. In case the fixed capital accounts of the public utility are not so subdivided as to permit the rates for the various classes of fixed capital used for public utility purposes to be applied, the estimates submitted by the public utility and the percentages determined by the commission may be based upon the aggregate of such fixed capital.

(3) After the commission shall have certified to the public utility its findings as to the percentages required for depreciation, such public utility shall have thirty days within which to make application to the commission for a hearing and order. If the public utility does not make

application to the commission for a hearing and order within the time set, the commission's certification of findings shall have the effect of an order and the public utility shall have the right to appeal therefrom as provided in this chapter.

(4) The commission may provide, in order to meet changing conditions, that public utilities shall submit the estimates herein referred to from time to time, and in case it requires such resubmission of estimates, it shall follow the procedure with reference to certifying its findings as provided above. In revising the reasonable and proper percentages of depreciation the commission shall give consideration to the experience of the public utility in accumulating a depreciation reserve under previous rates, the retirements actually made, and such other factors as may be relevant.

(5) When the commission shall have established, by certification or order, the reasonable and proper percentages of depreciation, such percentages shall constitute the percentages to be used in any proceeding involving the rates or practices of such public utility, provided that if at the time of such proceeding it is found that the percentages of depreciation previously established are no longer reasonable and proper the commission shall establish reasonable and proper percentages for the purpose of such proceeding and certify such new percentages in the manner provided by this section.

(6) When the commission shall have established for any public utility, by certification or order, the percentages necessary for depreciation on fixed capital used for public utility purposes, such public utility shall credit to its depreciation reserve in each accounting period such amount as may be required to provide for depreciation at the per-

centage or percentages established. If the public utility is a corporation it shall be unlawful for such corporation to pay any dividend out of earnings for any fiscal period subsequent to the commission's certification or order, or carry any portion of its earnings to its surplus account, except out of earnings remaining after crediting its depreciation reserve in accordance with the rates established by the commission; provided; that after application and hearing the commission may, upon a finding that it is necessary in the public interest, exempt a public utility from the duty of crediting to the depreciation reserve in any accounting period a greater amount than is possible without impairing its ability to pay dividends for the current calendar year. Nothing in this section shall be construed to modify the requirements of section 182.19.

(7) If a public utility desires to account for depreciation on a sinking fund basis and the commission determines that such basis of accounting for depreciation may reasonably be employed, the commission shall establish, in the manner hereinbefore referred to, the composite rate to be applied to the aggregate fixed capital used for public utility purposes to determine the amount which shall be charged to operating expenses, and the interest rate applicable to the reserve balance at which additional credits to the reserve shall be computed. In such cases the total amount to be credited to the reserve shall be the amount charged to operating expenses, plus the amount obtained by applying the interest rate to the reserve balance. Public utilities which account for depreciation on a sinking fund basis shall be subject to the same restrictions and regulations in their accounting for the entire amounts to be credited to the depreciation reserve as are applicable to

those public utilities which make the entire provision for depreciation by other methods permitted herein.

(8) No public utility shall charge to its depreciation reserve anything except losses on property actually retired from service."

Interstate Commerce Act.

Amended by Transportation Act (Act Feb. 28, 1920, C. 91; 41 Stat. 493):

Section 20.

"(1) That the Commission is hereby authorized to require annual reports from all common carriers subject to the provisions of this Act, and from the owners of all railroads engaged in interstate commerce as defined in this Act, to prescribe the manner in which such reports shall be made, and to require from such carriers specific answers to all questions upon which the Commission may need information. Such annual reports shall show in detail the amount of capital stock issued, the amounts paid therefor, and the manner of payment for the same; the dividends paid, the surplus fund, if any, and the number of stockholders; the funded and floating debts and the interest paid thereon; the cost and value of the carrier's property, franchises, and equipments; the number of employees and the salaries paid each class; the amounts expended for improvements each year, how expended, and the character of such improvements; the earnings and receipts from each branch of business and from all sources; the operating and other expenses; the balances of profit and loss; and a complete exhibit of the financial operations of the carrier each year, including an annual balance sheet. Such reports shall also contain such information in relation to rates or regu-

lations concerning fares or freights, or agreements, arrangements, or contracts affecting the same as the Commission may require; and the Commission may, in its discretion, for the purpose of enabling it the better to carry out the purposes of this Act, prescribe a period of time within which all common carriers subject to the provisions of this Act shall have, as near as may be, a uniform system of accounts, and the manner in which such accounts shall be kept."

"(5) The Commission may, in its discretion, prescribe the forms of any and all accounts, records, and memoranda to be kept by carriers subject to the provisions of this Act, including the accounts, records and memoranda of the movement of traffic, as well as of the receipts and expenditures of moneys. The Commission shall, as soon as practicable, prescribe, for carriers subject to this Act, the classes of property for which depreciation charges may properly be included under operating expenses, and the percentages of depreciation which shall be charged with respect to each of such classes of property, classifying the carriers as it may deem proper for this purpose. The Commission may, when it deems necessary, modify the classes and percentages so prescribed. The carriers subject to this Act shall not charge to operating expenses any depreciation charges on classes of property other than those prescribed by the Commission, or charge with respect to any class of property a percentage of depreciation other than that prescribed therefor by the Commission. No such carrier shall in any case include in any form under its operating or other expenses any depreciation or other charge or expenditure included elsewhere as a depreciation charge or otherwise under its operating or other ex-

penses. The Commission shall at all times have access to all accounts, records, and memoranda, including all documents, papers, and correspondence now or hereafter existing, and kept or required to be kept by carriers subject to this Act, and the provisions of this section respecting the preservation and destruction of books, papers, and documents shall apply thereto, and it shall be unlawful for such carriers to keep any other accounts, records, or memoranda than those prescribed or approved by the Commission, and it may employ special agents or examiners, who shall have authority under the order of the Commission to inspect and examine any and all accounts, records and memoranda, including all documents, papers, and correspondence now or hereafter existing, and kept or required to be kept by such carriers. This provision shall apply to receivers of carriers and operating trustees. The provisions of this section shall also apply to all accounts, records, and memoranda, including all documents, papers, and correspondence now or hereafter existing, kept during the period of Federal control, and placed by the President in the custody of carriers subject to this Act."

Comparison of Appellee's Recorded Net Cash Return With District Court's Required Minimum Cash Return.

(Referred to in Brief, pp. 456, 479, 482, 485, 496.)

Year	Recorded Net Cash Return		Court's Required Minimum Cash Return		Difference	Ratio
	(a) Amount	(b) Percentage (1)	(c) Amount	(d) Percentage (1)	c-a	b-d
1923	$5,659,998	4.56%	$ 9,315,000	7.5%	$3,655,002	60.80
1924	6,387,565	4.68	10,237,500	7.5	3,849,935	62.40
1925	6,817,297	4.59	11,137,500	7.5	4,320,203	61.20
1926	7,053,741	4.66	11,362,500	7.5	4,308,759	62.13
1927	7,300,918	4.37	12,525,000	7.5	5,224,082	58.27
1928	8,124,206	4.70	12,110,000	7.0	3,985,794	67.14
1929	10,233,791	5.56	12,880,000	7.0	2,646,209	79.43
1930	9,385,221	5.02	13,098,400	7.0	3,713,179	71.71
1931	8,621,323	4.81	11,641,500	6.5	3,020,177	74.00
1932*	6,821,323	4.09	9,157,500	5.5	2,336,177	74.36
Ttl.	$76,405,383		$113,464,900		$37,059,517	

Sources: Col. (a) (R. IV, 2734; 2973; R. II, 1395-1403).
Col. (c) District Court's Findings 2 and 32 (R. III, 2515, 2521).

(1) Percentage of Court's Finding of Fair Value.
*Estimated. (See District Court's Finding 31, R. III, 2521.)

Comparison of District Court's Finding of Net Cash Return from Existing Rates With Appellee's Recorded Net Cash Return.

(Referred to in Brief, pp. 14, 456, 496.)

Year	Court's Finding of Net Cash Income From Existing Rates District Court Finding 27 R. III, 2520 a	Recorded Net Cash Return (Supra, 118) b	Difference a-b
1923	$ 6,646,183	$ 5,659,998	$ 986,185
1924	7,483,954	6,387,565	1,096,389
1925	7,880,451	6,817,297	1,063,154
1926	8,052,698	7,053,741	998,957
1927	8,363,580	7,300,918	1,062,662
1928	8,627,760	8,124,206	503,554
1929	10,679,602	10,233,791	445,811
1930	10,138,263	9,385,221	753,042
1931	9,826,299	8,621,323	1,204,976
1932	8,000,000	6,821,323	1,178,677
	$85,698,790	$76,405,383	$9,293,407

District Court's Finding* of Reduction in Net Income from Appellee's Intrastate Business Under Rates Fixed by Illinois Commerce Commission Order of August 16, 1923.

(Referred to in Brief, pp. 456, 487, 494, 496.)

Year.	
1923	$1,541,668
1924	1,550,995
1925	1,582,561
1926	1,650,570
1927	1,677,077
1928	1,713,301
1929	1,740,000
1930	1,645,878
1931	1,433,744
1932	1,270,000
	$15,805,794

*Court's Findings 28 and 31 (R. III, 2520-1).

Comparison of Appellee's Recorded Net Cash Return With District Court's Finding of Net Cash Income From Rates in Suit.

(Referred to in Brief, pp. 14, 457, 487, 492, 493, 494, 495.)

	Recorded Net Cash Return	Court's Finding of Net Cash Income From Rates in Suit (Ct's. Find. 30)	Difference
1923	$ 5,659,998	$ 5,104,515	$ 555,483
1924	6,387,565	5,932,959	454,606
1925	6,817,297	6,297,890	519,407
1926	7,053,741	6,402,128	651,613
1927	7,300,918	6,686,503	614,415
1928	8,124,206	6,914,459	1,209,747
1929	10,233,791	8,939,602	1,294,189
1930	9,385,221	8,492,385	892,836
1931	8,621,323	8,392,555	228,768
1932	6,821,323	6,750,000	71,323
	$76,405,383	$69,912,996	$6,492,387

Sources: R. IV, 2734, 2968, 2973; R. II, 1395-1403; District Court's Finding 30 (R. III, 2521); (R. IV, 2968).

Rate of Return Found by the Public Utilities Commission in Its Order of December 20, 1920, Revised as Nearly as Possible to Basis of Valuation Used by the District Court.

(Referred to in Brief, pp. 182, 459.)

If Appellee's claimed value as of July 31, 1919, as prepared for the Commission in 1920 were adjusted as nearly as possible to conform with the methods used by the District Court in its Opinion of April 29, 1933, and there were added thereto the net additions to December 31, 1920, the estimated rate of return of 7.9% as found by the commission would be reduced to 4.84%.

The adjustments would be as follows:

(a) Depreciation in valuation increased to 15%.

(b) Overhead percentages not changed but applied to lower values resulting from depreciation adjustment.

(c) Going value reduced to 8% of adjusted value.

(d) Net additions to December 31, 1920, added.

The detailed statement follows.

(O.R. IV, 1287)

	Account.	Reproduction Cost July 31, 1919	Percentage of Depreciation (District Court Finding 6; R. III, 2515-6)	Reproduction Cost Less Depreciation July 31, 1919
1.	Land	$ 1,417,020	0	$ 1,417,020
2.	Buildings	12,469,486	15%	10,599,063
3.	Plant	80,656,990	15%	68,558,442
4.	General equipment and supplies	1,200,923	15%	1,020,784
5.	Construction work in progress*	433,714	0	433,714
6.	Working capital*	2,000,000	0	2,000,000
	Total	$98,178,133		$84,029,023
7.	Preliminary cost .825%			673,161
8.	Engineering cost 3.5%			2,855,836
9.	Administration and legal costs 1.00%			815,953
10.	Interest during construction 13.067%			10,662,059
	Total			$99,036,032
11.	Going value 8% (District Court Finding 7, R. III, 2516)			7,922,883
	Total			$106,958,915

12.	Net additions July 31, 1919, to December 31, 1920 (R. VII, 4072A; OR. IV, 1287)...	7,273,820
	Grand Total	$114,232,735
13.	Net income (O.R. IV, 1305)	$ 5,529,966
14.	Average return ...	4.84%

*Items 5 and 6 are not used in computation of overhead items 7-10.

If the net income as found by the Commission were related to Appellee's claimed reproduction cost less its estimated depreciation as of July 31, 1919, with net additions to December 31, 1920, the indicated rate of return would be 3.91%.

Reproduction cost less depreciation July 31, 1919 (O.R. IV, 1287)	$134,244,007
Net addition July 31, 1919, to December 31, 1920 (R. VII, 4072A; O.R. IV, 1287)	7,273,820
Reproduction cost less depreciation December 31, 1920	$141,517,827
Amount found available for return under the 1920 P. U. C. order (O.R. IV, 1305)	$ 5,529,966
Average return	3.91%

RATE RETURN—INTRASTATE TOLL—EXISTING RATES ON APPELLANTS' ADJUSTMENT ON INTRASTATE TOLL SEPARATION.

(Referred to in Brief, pp. 56, 145, 459.)

	1923	1924	1925	1926	1927	1928	1929	1930	1931
(1) District Court's Fair Value (R. III, 2515)	5,515,000	6,250,000	7,200,000	7,800,000	9,300,000	10,500,000	12,600,000	13,850,000	13,600,000
(2) Net Income under existing rates found by District Court (Findings 9 and 11—R. III, 2516)	674,172	885,927	1,125,260	1,297,162	1,558,822	1,533,414	1,563,287	1,619,810	1,166,875
(3) Appellants' Intrastate Toll Separation adjustment* (R. VII, 4354a)	482,231	547,619	627,685	739,755	833,826	970,292	1,098,525	1,125,953	991,800
(4) Adjusted Net Income	191,941	338,308	497,575	557,407	724,996	563,122	464,762	493,857	175,075
(5) Rate of return on District Court's Fair Value	3.5%	5.4%	6.9%	7.1%	7.8%	5.4%	3.7%	3.6%	1.3%

*The same reasons which render fatally defective the District Court's allocation of Exchange Service revenues render fatally defective also its allocation of Exchange Service revenues to intrastate toll services (R. III, 2528; see Brief, p. 56).

RATE OF RETURN—INTRASTATE TOLL—EXISTING RATES ON DISTRICT COURT'S INTRASTATE TOLL SEPARATION.

(Referred to in Brief, pp. 56, 145.)

	1923	1924	1925	1926	1927	1928	1929	1930	1931
(1) District Court's Fair Value (R. III, 2515)	$5,515,000	$6,250,000	$7,200,000	$7,800,000	$9,300,000	$10,500,000	$12,600,000	$13,850,000	$13,600,000
(2) Net Income Under Existing Rates found by District Court (Findings 9 and 11—R. III, 2516)	674,172	885,927	1,125,260	1,297,162	1,558,822	1,533,414	1,563,287	1,619,810	1,166,875
(3) Rate of Return on District Court's Fair Value	12.2	14.2	15.6	16.6	16.8	14.6	12.4	11.7	8.6

Appellee's Sales of Capital Stock.
(Referred to in Brief, pp. 182, 462, 480.)

	Total Purchased	Amount Allocable to Chicago Intrastate Business
1923	$ 87,500	$ 55,023
1924	9,912,500	6,265,890
1925	10,000,000	6,303,700
1926	.....	.....
1927	30,000,000	18,603,000
1928	.....	.....
1929	20,000,000*	12,073,800
Total	$70,000,000	$43,301,413

*Installment subscriptions paid for in 1929.

Excluding 1929 Installments.

	Total Purchased	Amount Allocable to Chicago Intrastate Business
Total 1923-1928	$50,000,000	$31,227,613
1929	.....	.....
1930	40,000,000	23,647,200
Total 1923-1930	$90,000,000	$54,874,813

American Company's Purchases of Appellee's Stock, 1923-1929.

Par value of holdings 12/31/29 (R. VI, 4025)	$109,018,000
Par value of holdings 12/31/22 (R. VI, 4025)	59,308,600
Increase	$ 49,709,400
Installments paid in 1929 (99.11% (R. VI, 4025) of $20,000,000)	19,822,000
Total American Company's purchases	$ 69,531,400
Total American Company's purchases allocable to Chicago Intrastate business (61.86%)	43,012,124

Sources: R. V, 3083; O.R. 2180A-B; R. VIII, 4792 (Ratios).

Amount Available for Surplus Resulting from Appellee's Recorded Intrastate Net Income, After Paying an 8% Cash Dividend.

(Referred to in Brief, p. 462.)

1923	$1,112,267
1924	1,219,213
1925	1,434,654
1926	1,128,269
1927	683,888
1928	824,289
1929	2,327,209
	$8,729,789

Sources: R. II, 1395-1403; R. IV, 2734, 2968, 2973; R. V, 3083.

Appellee's Capitalization as of December 31st.

(Referred to in Brief, p. 477.)

1881	$ 500,000
1883	2,000,000
1892	5,000,000
1901	9,000,000
1902	11,993,400
1903	14,000,000
1907	16,908,500
1908	27,000,000
1916	30,000,000
1917	36,000,000
1918	40,000,000
1921	50,000,000
1922	60,000,000

Source. O.R. VI, 2180A-B.

ESTIMATED RETURN ON APPELLEE'S CAPITAL STOCK ALLOCABLE TO CHICAGO INTRASTATE BUSINESS

1932

(Referred to in Brief, p. 485)

Recorded Net Income, for the year 1931 (supra, 118)		$ 8,621,323
Deduct:		
Loss in Revenues in 1932, found by District Court (Finding 32, R. III, 2521)	$1,800,000	
1931 Interest payments	1,933,783	3,733,783
Net Income available for return for 1932		$ 4,887,540
Average Capital Stock during 1931		$ 87,045,349
Return on Average Capital Stock produced by above net income		5.6%
Recorded Net Income for the year 1931, as shown above		$ 8,621,323
Deduct Loss in Revenues in 1932, shown above		1,800,000
Net Income available for return for 1932		$ 6,821,323
District Court's finding of Fair Value (Finding 2, R. III, 2515)		$166,500,000
Rate of return on District Court's Fair Value		4.1%

RECONCILIATION OF DISTRICT COURT'S FINDINGS ON INTRASTATE REVENUES, EXPENSES, AND RATE OF RETURN

CHICAGO—INTRASTATE BUSINESS

(Referred to in Brief, pp. 7, 354, 456, 488, 493, 495)

	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932
Revenues (R. III, 2395, 2516)	$ 37,146,181	$ 39,653,954	$ 42,560,451	$ 45,932,698	$ 49,163,580	$ 53,677,760	$ 57,279,602	$ 58,698,263	$ 56,426,299	
EXPENSES										
Total claimed by Appellee (R. IV, 2766-72, 2971, 2976)	$ 32,745,403	$ 34,936,713	$ 37,237,731	$ 40,131,389	$ 42,963,951	$ 46,408,412	$ 48,678,611	$ 49,942,995	$ 48,579,524	
Less Plaintiff's claims paid										
Lic. Payment (R. IV, 2725-33)	1,662,014*	1,787,095*	1,901,069*	1,845,571*	1,980,880*	1,036,616*	834,276*	864,131*	834,199*	
Depreciation (R. V, 3145 and R. IV, 2766-74)	5,662,154*	6,382,159*	6,768,618*	7,217,128*	7,608,468*	7,981,108*	8,148,888*	8,581,118*	8,934,628*	
	$ 25,421,235	$ 26,767,459	$ 28,568,044	$ 31,068,690	$ 33,374,603	$ 37,390,688	$ 39,695,447	$ 40,497,746	$ 38,810,697	
Add Court's allowances for										
Depreciation (R. III, 2520)	4,000,000	4,250,000	4,750,000	5,400,000	6,000,000	6,650,000	7,000,000	7,200,000	7,400,000	
License Contract (R. III, 2519-20)	1,088,195	1,156,046	1,369,836	1,412,867	1,422,869	1,005,063	834,276	864,131	834,199	
Less 10% reduction in W. E. Charges to O. Exp. (R. III, 2516, 19)									366,157*	
Adjustment necessary to round off to Court finding	9,430*	3,505*	7,880*	1,557*	2,528	4,249	70,277	1,877*	8,733*	
Total Expense (R. III, 2516)	$ 30,500,000	$ 32,170,000	$ 34,680,000	$ 37,880,000	$ 40,800,000	$ 45,050,000	$ 47,600,000	$ 48,560,000	$ 46,670,000	
Net Income (R. III, 2520)	6,646,183	7,483,954	7,880,451	8,052,698	8,363,580	8,627,760	10,679,602	10,138,263	9,826,299	8,000,000
Reduction in Revenues under Rates in Suit (R. III, 2521)	1,541,668	1,550,995	1,582,561	1,650,570	1,677,077	1,713,301	1,740,000	1,645,878	1,433,744	
Net Income under Rates in Suit (R. III, 2521)	5,104,515	5,932,959	6,297,890	6,402,128	6,686,503	6,914,459	8,939,602	8,492,385	8,392,555	6,750,000
Fair Value (R. III, 2515)	$124,200,000	$136,500,000	$148,500,000	$151,500,000	$167,000,000	$173,000,000	$184,000,000	$187,120,000	$179,100,000	$166,500,000
Rate Earned (R. III, 2521)	5.4%	5.5%	5.3%	5.3%	5.0%	5.0%	5.8%	5.3%	5.5%	4.8%
Rate Earned based on Rates in Suit (R. III, 3522)	4.1%	4.4%	4.2%	4.2%	4.0%	4.0%	4.9%	4.5%	4.7%	4.1%

*Red figure.

Amounts Available for Surplus on Basis of District Court's Finding of Net Cash Return Under Attacked Rates.

Amounts Appellee Would Carry to Surplus After Paying Interest and Amortization Charges and 8% Dividend on Capital Stock Allocable to Chicago Intrastate Business on Basis of Court's Finding of Net Cash Return Under Rates in Suit.

(Referred to in Brief, p. 488.)

	Surplus Over 8% Dividend	Deficit After 8% Dividend
1923	$ 556,784	
1924	764,607	
1925	915,247	
1926	476,656	
1927	69,473	
1928		$385,458
1929	1,033,020	
1930		253,727
1931		504,662
Totals	$3,815,787	$1,143,847
Net	2,671,940	

Sources: District Court's Finding 30 (R. III, 2521); R. IV, 2748, 2778; R. V, 3083; R. VII, 4077-9, 4075; R. VIII, 4792.

Amounts Available for Surplus on Basis of District Court's Finding of Minimum Cash Return to Avoid Confiscation.

Amounts Appellee Would Carry to Surplus After Paying Interest and Amortization Charges and 8% Dividend on Capital Stock Allocable to Chicago Intrastate Business on Basis of Court's Minimum Cash Return to Avoid Confiscation. (Referred to in Brief, p. 504.)

1923	$ 4,767,269
1924	5,069,148
1925	5,754,857
1926	5,437,028
1927	5,907,970
1928	4,810,083
1929	4,973,418
1930	4,352,288
1931	2,744,283
Total	$43,816,344

Sources: District Court Findings 2 and 32 (R. III, 2515, 2521); R. IV, 2748, 2778; R. V, 3083; R. VII, 4075, 4077-9; R. VIII, 4457-61, 4792.

Appellee's Provisional Estimates.

Appellee's Actual and Estimated Future Net Telephone Earnings Related to Average Book Cost of Plant in Service as States in Provisional Estimate Sent to the American Company.

(Referred to in Brief, p. 505.)

(1) Provisional Estimate of November 14, 1923 (R. VIII, 4590a):

	Net Telephone Earnings to Average Plant in Service	
1922	6.69%	A*
1923	6.37%	A**
1924	6.20%	E
1925	6.49%	E
1926	6.01%	E
1927	5.56%	E
1928	6.82%	E

(2) Provisional Estimate of November 12, 1924 (R. VIII, 4590b):

1923	6.04%	A
1924	6.03%	A**
1925	5.71%	E
1926	6.05%	E
1927	6.13%	E
1928	5.73%	E
1929	5.75%	E

(3) Provincial Estimate of November 12, 1925 (R. VIII, 4590d):

1924	6.18%	A
1925	6.20%	A**
1926	5.69%	E
1927	5.92%	E
1928	5.81%	E
1929	5.91%	E
1930	5.87%	E

(4) Provincial Estimate of November 10, 1926 (R. VIII, 4590f):

			Including Effect of Rate Changes
1925	6.41%	A	
1926	5.93%	A*	5.93%
1927	5.82%	E	5.83%
1928	5.82%	E	6.30%
1929	5.78%	E	6.60%
1930	5.80%	E	6.55%
1931	5.74%	E	6.51%

*A—Actual.
E—Estimated.
**Estimated for last few months.

(5) Provincial Estimate of November 1, 1927 (R. VIII, 4590h):

		Including Effect of Rate Changes
1926	6.13% A	
1927	6.12% A*	6.13%
1928	5.64% E	5.69%
1929	5.75% E	5.81%
1930	6.18% E	6.26%
1931	6.30% E	6.38%
1932	6.39% E	6.47%

(6) Provincial Estimate of November 1, 1928 (R. VIII, 4590k):

1927	5.92% A
1928	6.16% A*
1929	5.93% E
1930	6.14% E
1931	6.31% E
1932	6.52% E
1933	6.73% E

(7) Provisional Estimate of November 8, 1929 (R. VIII, 4590p):

1928	6.20% A
1929	6.49% A*
1930	6.34% E
1931	6.00% E
1932	6.07% E
1933	6.41% E
1934	6.03% E

(8) Provisional Estimate of November 10, 1930 (R. VIII, 4590t):

1929	6.73% A
1930	5.98% A*
1931	5.38% E
1932	5.57% E
1933	6.04% E

*A—Actual.
E—Estimated.
**Estimated for last few months.

Difference Between Appellee's Net Income Based on District Court's Required Minimum Return and Based on Average Return Earned by the other Associated Companies.

(Referred to in Brief, p. 506.)

	District Court's Required Minimum Return Less Interest Requirements (A)	Appellee's Income on Basis of Return Earned by the other Associated Companies on Capital and Surplus (B)	Difference (C)
1923	$ 7,787,819	$ 2,955,321	$ 4,832,498
1924	8,483,678	3,188,938	5,294,740
1925	9,284,939	3,757,253	5,527,686
1926	9,450,373	4,748,426	4,701,947
1927	10,248,655	5,235,621	5,013,034
1928	10,230,587	6,725,489	3,505,098
1929	10,285,879	6,782,010	3,503,869
1930	10,500,531	6,755,133	3,745,398
	$76,272,461	$40,148,191	$36,124,270

Sources: Col. A—Dist. Ct. Findings No. 2 and No. 32 (R. III, 2515, 2521; R. VIII, 4457-61).

Col. B—R. VII, 4362-4a; R. VI, 4027; R. V, 3083-90; R. VIII, 4457-61.

Increase in American Company's Average Capital Stock Holding in the Associated Companies Other Than Appellee.

(Referred to in Brief, p. 472.)

	Par Value	Book Value
1923	$ 74,620,317	$ 75,241,767
1924	90,486,332	93,021,677
1925	137,659,054	151,595,909
1926	148,383,469	146,660,178
1927	86,856,147	94,871,809
1928	161,802,426	170,008,246
1929	102,613,225	108,424,319
1930	153,375,939	154,463,220
	$955,796,909	$994,287,125

Sources: R. VI, 4027; R. VII, 4365-6.

APPELLEE'S INTRASTATE RATE OF RETURN ON APPELLANTS' CONTENTIONS.

(Referred to in Brief, p. 498.)

	1923	1924	1925	1926	1927	1928	1929	1930	1931
1) Total Rate Base (supra, 88)	$70,303,280	$81,284,072	$92,377,047	$103,940,975	$117,958,532	$131,125,170	$142,367,088	$154,030,558	$158,813,267
2) Net Income under rates in suit (R. III, 2521)	5,104,515	5,932,959	6,297,890	6,402,128	6,686,503	6,914,459	8,939,602	8,492,385	8,392,555
3) Appellants' Contention on Separation of Revenues (Brief, p. 49)	$ 245,042	$ 262,398	$ 309,505	$ 317,915	$ 354,372	$ 427,655	$ 486,875	$ 472,469	$ 431,580
4) Appellants' Contention on License Contract Payments (Brief, p. 81)	575,195	591,046	740,836	744,867	709,869	754,063	586,276	613,131	591,199
5) Excess Depreciation expense allowed by Court order over amount allowed by 1923 Comm. order (R. III, 2520; R. VII, 4070a-4071; R. IV, 2734-42) (Brief, p. 378)	1,522,418	1,199,673	1,260,522	1,817,797	2,486,197	3,143,482	3,450,072	3,313,578	2,485,135
6) Total Adjustments	$ 2,342,655	$ 2,053,117	$ 2,310,863	$ 2,880,579	$ 3,550,438	$ 4,325,200	$ 4,523,223	$ 4,349,178	$ 3,507,914
7) Net income under rates in suit after adjustments	$ 7,447,170	$ 7,986,076	$ 8,608,753	$ 9,282,707	$ 10,236,941	$ 11,239,659	$ 13,462,825	$ 12,841,563	$ 11,900,469
8) Rate of return on above rate base (Line 7÷1)	10.6%	9.8%	9.3%	8.9%	8.7%	8.6%	9.5%	8.3%	7.5%

DIVIDEND RATES OF ASSOCIATED COMPANIES
(Arranged from R. VI, 4026)
(Referred to in Brief, pp. 478, 498, 499)

	DIVIDEND RATES.															
	22½	9	8	7¾	7½	7¼	7	6½	6¼	6	5	4½	4	3	2½	1	0	Tot.
1914			4				2			5			1				4	16
1915			4				3			2	2						5	16
1916			4				4			1	3	1	1				4	18
1917	1		3				5			1	3				1		3	17
1918			4				5			2	3						4	18
1919			4				5			2	3						4	18
1920			4	1	2		1			3							5	16
1921			7			1	1			2			1				3	15
1922			8				1			2	1						5	17
1923			9	1	1		2	1		2						1	3	20
1924			12		1		2			1				2			2	20
1925			13				2			5							1	20
1926			13			1	1			3			1					19
1927		1	13				1	1		3								19
1928		1	15				3			1								20
1929		1	16				2			1							1	21
1930		1	16				1		1		1		1					21

EXCESS OF APPELLEE'S UNDERSTATEMENT OF NET RETURN (RESULTING FROM FAILURE TO COMPLY WITH 1920 ORDER ON DEPRECIATION) OVER REDUCTION IN RECORDED RETURN RESULTING FROM DISTRICT COURT'S FINDINGS.
(Referred to in Brief, pp. 498-9.)

Year	Recorded Depreciation Charges (Appendix, p. 95) (1)	Depreciation Expense based on 1920 Order (Appendix, p. 95) (2)	Appellee's Understatement of Recorded Net Cash Return (Col. 1-2) (3)	Appellee's Recorded Net Cash Return (Appendix, p. 121) (4)	Court's Finding of Net Cash Return from Rates in Suit with Dep'n. Exp. adjusted to basis of 1920 Order (Appendix, p. 95, Col. 31, and Appendix, 121) (5)	Reduction in Net Cash Return exclusive of Dep'n. Exp. Adjustment (Col. 4-5) (6)	Excess of Understatement over Reduction of Net Cash Return (Col. 3-6) (7)
1923	$4,221,515	$2,668,612	$1,552,903	$ 5,659,998	$4,883,000	$ 778,998	$ 775,905
1924	4,469,890	3,133,458	1,336,432	6,387,565	5,713,069	674,496	661,936
1925	5,048,013	3,557,954	1,490,059	6,817,297	5,999,877	817,420	672,639
1926	5,767,372	4,108,871	1,658,501	7,053,741	6,034,756	1,018,985	639,516
1927	6,334,580	4,576,498	1,758,082	7,300,918	6,351,923	948,995	809,087
1928	7,009,065	5,077,556	1,931,509	8,124,206	6,555,394	1,568,812	362,697
1929	7,436,480	5,580,737	1,855,743	10,233,791	8,503,122	1,730,669	125,074
1930	7,864,772	5,906,180	1,958,592	9,385,221	7,827,613	1,557,608	400,984
1931	8,133,289	6,114,329	2,018,960	8,621,323	7,659,266	962,057	1,056,903

PUBLIC UTILITY (OTHER THAN BELL SYSTEM) BOND ISSUES OFFERED IN YEARS 1923-1929 RESOLD IN OPEN MARKET IN YEARS 1923-1929

Showing Per Cent of Number and Amount Selling on Higher Yield on Resale Price Than Yield on Resale Price on Appellee's Bonds.

(Dollars in Thousands)

(Referred to in Brief, p. 475.)

Year	Number of Bond Issues Resold in Open Market	Par Amount of Bond Issues Resold in Open Market	Number of Bond Issues Selling on Higher Yield than Yield on Appellee's Bonds	Par Amount of Bond Issues Selling on Higher Yield than Yield on Appellee's Bonds	Per Cent Par Amount Bond Issues Selling on Higher Yield than Yield on Appellee's Bonds	Per Cent Number Bond Issues Selling on Higher Yield than Yield on Appellee's Bonds
1923[1]	13	$ 131,500	13	$ 131,500	100%	100%
1924[2]	49	503,592	45	449,000	89	92
1925[3]	113	1,420,029	103	1,246,529	88	91
1926[4]	169	1,835,414	163	1,741,414	94	96
1927[5]	218	2,884,406	205	2,622,406	91	94
1928[6]	262	3,709,058	235	3,522,732	94	89
1929[7]	268	3,756,009	250	3,314,098	88	93
Years 1923-1929	1092	$14,240,008	1,014	$13,027,679	91%	92%

1. R. VII, 4336f.
2. R. VII, 4336g; R. VII, 4336f (1923 bond issues).
3. R. VII, 4336h; R. VII, 4336g (1924 bond issues); R. VII, 4336f (1923 bond issues).
4. R. VII, 4336i; R. VII, 4336h (1925 bond issues); R. VII, 4336g (1924 bond issues); R. VII, 4336f (1923 bond issues).
5. R. VII, 4336j-k; R. VII, 4336i (1926 bond issues); R. VII, 4336h (1925 bond issues); R. VII, 4336g (1924 bond issues); R. VII, 4336f (1923 bond issues).
6. R. VII, 4336l; R. VII, 4336j-k (1927 bond issues); R. VII, 4336i (1926 bond issues); R. VII, 4336h (1925 bond issues); R. VII, 4336g (1924 bond issues); R. VII, 4336f (1923 bond issues).
7. R. VII, 4336m; R. VII, 4336l (1928 bond issues); R. VII, 4336j-k (1927 bond issues); R. VII, 4336i (1926 bond issues); R. VII, 4336h (1925 bond issues); R. VII, 4336g (1924 bond issues); R. VII, 4336f (1923 bond issues).

PUBLIC UTILITY (OTHER THAN BELL SYSTEM) BOND ISSUES SOLD DURING PERIOD 1923-1929 UNDER AUTHORIZATION OF PUBLIC SERVICE COMMISSION

Showing Per Cent of Number and Amount on Which Cost Was Higher Than Cost on Other Associated Company's Bond Issues:
(Referred to in Brief, p. 475.)

Year	No. of Issues	Par Amount of Bonds Sold	Number of Bond Issues on Which Cost Was Higher Than Cost on Other Assoc. Co. Bond Issues	Par Amount of Bond Issues on Which Cost Was Higher Than Cost on Other Assoc. Co. Bond Issues	Per Cent Par Amt. on Which Cost Was Higher Than Cost on Other Assoc. Co. Bond Issues	Per Cent Number Bond Issues on Which Cost Was Higher Than Cost on Other Assoc. Co. Bond Issues
1923[2]	11	$115,900,000	10	83,900,000	72%	90%
1924[3]	16	170,000,000	14	133,500,000	78%	87%
1925[4]	8	131,300,000	7	122,300,000	93%	87%
1926[5]	16	184,000,000	16	184,000,000	100%	100%
1929[6]	3	30,500,000	2	20,000,000	66%	66%
	54	$631,700,000	49	543,700,000	86%	90%

1. R. VII, 4235.
2. R. VII, 4285.
3. R. VII, 4286.
4. R. VII, 4287.
5. R. VII, 4287.
* There were no Associated Company bond issues in 1927 and 1928.
6. R. VII, 4290.

PUBLIC UTILITY (OTHER THAN BELL SYSTEM) BOND ISSUES OFFERED TO PUBLIC DURING PERIOD 1923-1929.

Showing Per Cent of Number and Amount on Which Yield on Offering Price Was Higher Than Yield on Offering Price on Other Associated Company Bond Issues.[1]

(Referred to in Brief, p. 476)

Year	Number of Bond Issues Offered	Par Amount of Bonds Offered	Number of Bond Issues on Which Yield on Offering Price Was Higher Than Yield on Offering Price On Other Assoc. Co. Bond Issues	Par Amt. of Bonds on Which Yield on Offering Price Was Higher Than Yield on Offering Price on Other Assoc. Co. Bond Issues	Per Cent Par Amt. on Which Yield Was Higher Than Yield on Other Assoc. Co. Bond Issues	Per Cent Number of Bond Issues on Which Yield Was Higher Than Yield on Other Assoc. Co. Bond Issues
1923[2]	35	$ 335,688,000	35	$ 335,688,000	100%	100%
1924[3]	55	503,574,000	48	417,074,000	82	87
1925[4]	43	467,937,000	41	428,937,000	91	95
1926[5]	72	882,575,000	72	882,575,000	100	100
1929[6]	36	476,266,000	30	394,250,000	82	83
Period 1923-1929	241	$2,666,040,000	226	$2,458,524,000	92%	93%

1. R. VII, 4235.
2. R. VII, 4293-5.
3. R. VII, 4295-8.
4. R. VII, 4298-4300.
5. R. VII, 4300-3.
6. R. VII, 4311-13.

* There were no Associated Company bond issues offered to the public in 1927 and 1928.

PUBLIC UTILITY (OTHER THAN BELL SYSTEM) BOND ISSUES OFFERED IN YEARS 1923-1929 RESOLD IN OPEN MARKET IN YEARS 1923-1929.

Showing Per Cent of Number and Amount Selling on Higher Yield on Resale Price Than Average Yield on Resale Price on Other Associated Company Bond Issues.

(Referred to in Brief, p. 476)

(Dollars in Thousands)

Year	Number of Bond Issues Resold in Open Market	Par Amount of Bonds Resold in Open Market	Number of Bond Issues Selling on Higher Yield Than Yield on Other Associated Company Bonds	Par Amount of Bonds Sold on Higher Yield Than Yield on Other Associated Company Bonds	Per Cent Par Amt. Bonds Sold on Higher Yield Than Yield on Other Associated Company Bonds	Per Cent Number Bond Issues Sold on Higher Yield Than Yield on Other Associated Company Bonds
1923[1]	13	$ 131,500	13	$ 131,500	100%	100%
1924[2]	49	503,592	47	466,092	92	96
1925[3]	113	1,420,029	109	1,348,529	95	96
1926[4]	169	1,835,414	164	1,753,914	95	97
1927[5]	218	2,884,406	211	2,721,406	94	96
1928[6]	262	3,709,058	256	3,483,147	94	97
1929[7]	268	3,756,009	240	3,207,382	85	89
Period 1923-1929	1092	$14,240,008	1040	$13,112,170	92%	95%

1. R. VII, 4336f.
2. R. VII, 4336g; R. VII, 4336f (1923 bond issues).
3. R. VII, 4336h; R. VII, 4336g (1924 bond issues); R. VII, 4336f (1923 bond issues).
4. R. VII, 4336i; R. VII, 4336h (1925 bond issues); R. VII, 4336g (1924 bond issues); R. VII, 4336f (1923 bond issues).
5. R. VII, 4336j-k; R. VII, 4336i (1926 bond issues); R. VII, 4336h (1925 bond issues); R. VII, 4336g (1924 bond issues); R. VII, 4336f (1923 bond issues).
6. R. VII, 4336l; R. VII, 4336j-k (1927 bond issues); R. VII, 4336i (1926 bond issues); R. VII, 4336h (1925 bond issues); R. VII, 4336g (1924 bond issues); R. VII, 4336-f (1923 bond issues).
7. R. VII, 4336m; R. VII, 4336l (1928 bond issues); R. VII, 4336j-k (1927 bond issues); R. VII, 4336i (1926 bond issues); R. VII, 4336h (1925 bond issues); R. VII, 4336g (1924 bond issues); R. VII, 4336f (1923 bond issues).

PUBLIC UTILITY (OTHER THAN BELL SYSTEM) BOND ISSUES OFFERED IN YEARS 1923-1930 RESOLD IN OPEN MARKET IN 1930.

Showing Per Cent of Number and Amount Selling on Higher Yield on Resale Price Than Yield on Resale Price on Appellee's Bonds.

(Referred to in Brief, p. 480)

(Dollars in Thousands)

Year of Public Offering	Number of Bond Issues Resold in 1930	Par Amt. of Bond Issues Resold in 1930	Number of Bond Issues Selling on Higher Yield Than Yield on Appellee's Bonds	Par Amt. of Bond Issues Selling on Higher Yield Than Yield on Appellee's Bonds	Per Cent Par Amt. Bond Issues Selling on Higher Yield Than Yield on Appellee's Bonds	Per Cent Number Bond Issues Selling on Higher Yield Than Yield on Appellee's Bonds
1923[1]	15	$ 147,000	15	$ 147,000	100%	100%
1924[2]	30	299,374	31	259,374	87	93
1925[3]	31	346,637	30	316,637	91	96
1926[4]	56	691,185	54	668,185	96	96
1927[5]	82	1,482,960	71	1,251,460	84	86
1928[6]	49	725,641	46	661,641	91	93
1929[7]	30	379,766	29	369,266	97	96
1930[8]	54	886,379	51	846,879	95	94
Total in 1930	350	$4,958,942	327	$4,520,442	91%	93%

1. R. VII, 4336f.
2. R. VII, 4336g.
3. R. VII, 4336h.
4. R. VII, 4336i.
5. R. VII, 4336j-k.
6. R. VII, 4336l.
7. R. VII, 4336m.
8. R. VII, 4336n.

PUBLIC UTILITY (OTHER THAN BELL SYSTEM) BOND ISSUES OFFERED IN YEARS 1923-1930 RESOLD IN OPEN MARKET IN 1930.

Showing Per Cent of Number and Amount Selling on Higher Yield on Resale Price Than Average Yield on Resale Price of Other Associated Company Bonds.

(Referred to in Brief, p. 481)

(Dollars in Thousands)

Year of Public Offering	Number of Bond Issues Resold in 1930	Par Amount of Bond Issues Resold in 1930	Number of Bond Issues Selling on Higher Yield Than Yield on Other Assoc. Company Bonds	Par Amt. of Bond Issues Selling on Higher Yield Than Yield on Other Assoc. Company Bonds	Per Cent Par Amount Bond Issues Selling on Higher Yield Than Yield on on Other Assoc. Company Bonds	Per Cent Number Bond Issues Selling on Higher Yield Than Yield on on Other Assoc. Company Bonds
1923[1]	15	$ 147,000	15	$ 147,000	100%	100%
1924[2]	33	299,374	33	299,374	100%	100%
1925[3]	31	346,637	31	346,637	100%	100%
1926[4]	56	691,185	55	683,185	98%	98%
1927[5]	82	1,482,960	73	1,266,460	85%	89%
1928[6]	49	725,641	47	696,641	96%	96%
1929[7]	30	379,766	30	379,766	100%	100%
1930[8]	54	886,379	51	846,879	95%	94%
Total in 1930	350	$4,958,942	335	$4,665,942	94%	95%

1. R. VII, 4336f.
2. R. VII, 4336g.
3. R. VII, 4336h.
4. R. VII, 4336i.
5. R. VII, 4336j-k.
6. R. VII, 4336l.
7. R. VII, 4336m.
8. R. VII, 4336n.

PUBLIC UTILITY (OTHER THAN BELL SYSTEM) BOND ISSUES OFFERED IN YEARS 1923-1931, INCLUSIVE, RESOLD IN OPEN MARKET IN 1931.

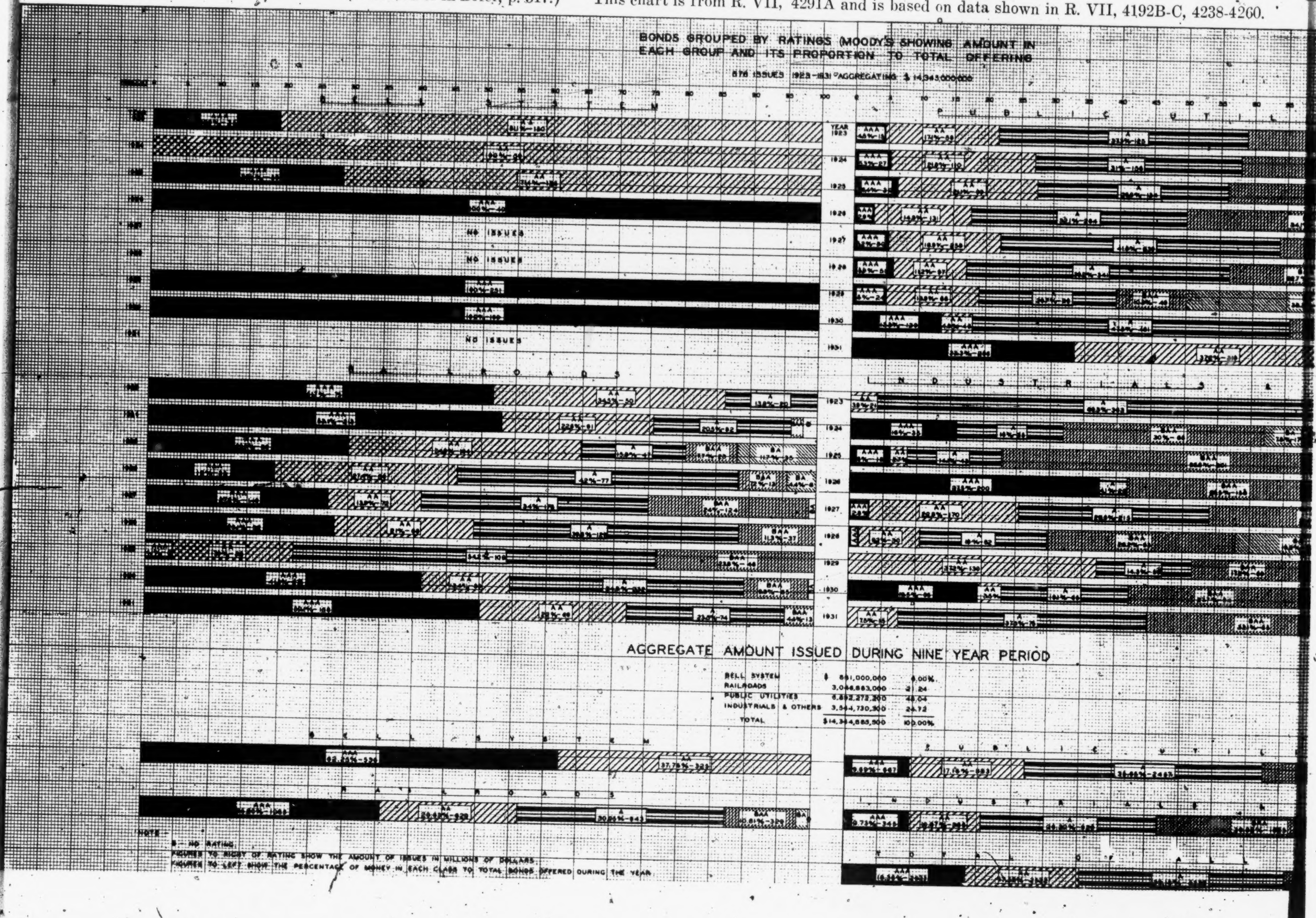
Showing Per Cent of Number and Amount Selling on Higher Yield on Resale Price in 1931 Than Yield on Original Offering Price.

(Referred to in Brief, p. 484)

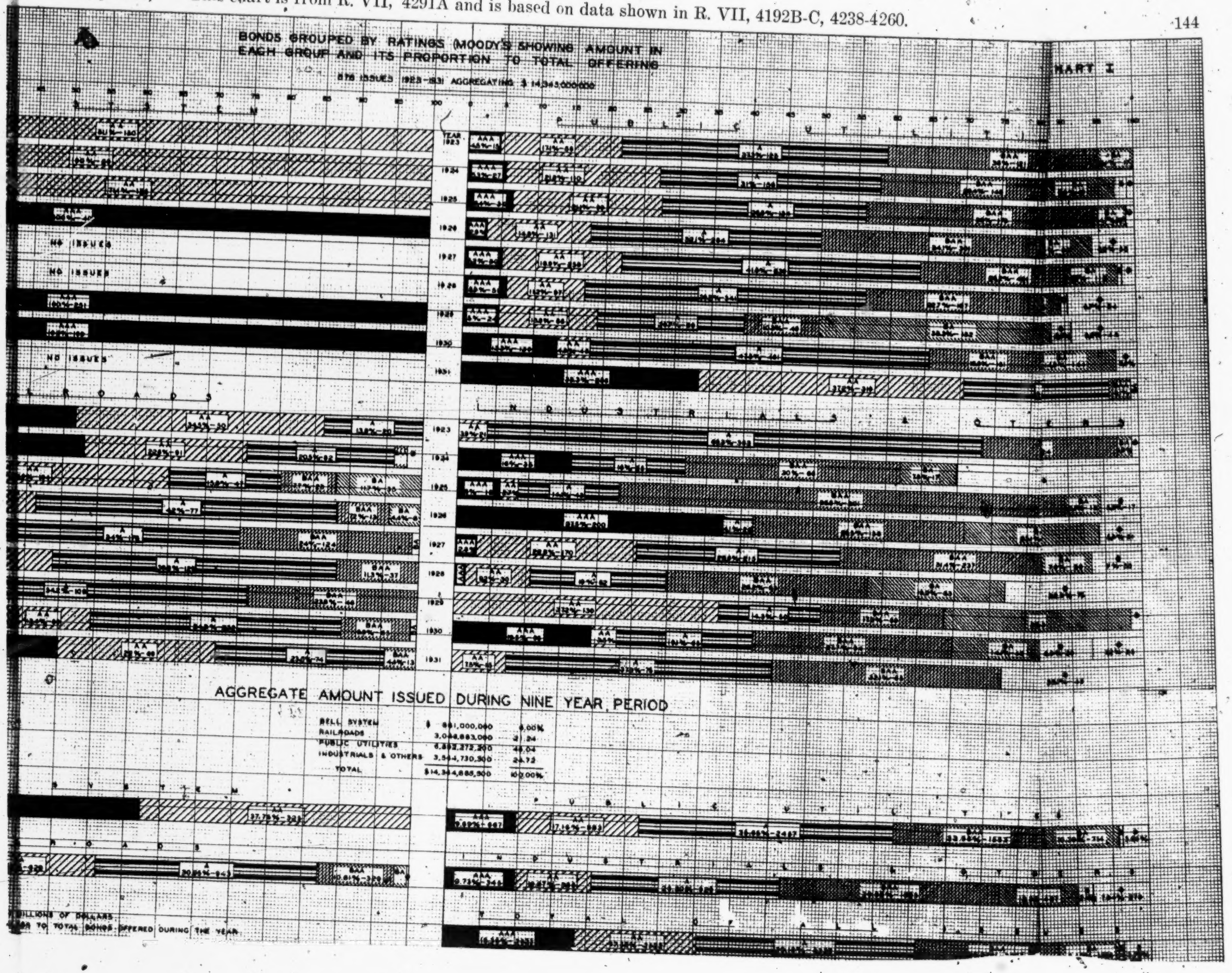
Year of Issue	Number of Issues Resold in 1931	Par Amount of Bonds Resold in 1931	Number of Issues Selling on Higher Yield in 1931 Than Yield on Offering Price	Par Amount of Bonds Selling on Higher Yield in 1931 Than Yield on Offering Price	Per Cent Par Amount of Issues Selling on Higher Yield in 1931 Than on Offering Price	Per Cent Number Bond Issues Selling on Higher Yield in 1931 Than Yield on Offering Price
1923[1]	10	$ 176,000,000	5	$62,500,000	35%	50%
1924[2]	28	265,874,000	13	101,000,000	37	46
1925[3]	30	350,570,000	19	180,175,000	51	63
1926[4]	54	700,435,000	40	474,935,000	67	74
1927[5]	83	1,566,500,000	66	1,121,360,000	71	79
1928[6]	60	840,252,000	58	816,837,000	97	96
1929[7]	32	428,766,000	28	374,250,000	87	87
1930[8]	56	956,379,000	52	863,879,000	90	92
1931[9]	39	847,484,000	38	747,484,000	88	97
Total 1923-1931	392	$6,132,260,000	319	$4,742,420,000	77%	81%

1. R. VII, 4336f.
2. R. VII, 4336g.
3. R. VII, 4336h.
4. R. VII, 4336i.
5. R. VII, 4336j-k.
6. R. VII, 4336l.
7. R. VII, 4336m.
8. R. VII, 4336n.

(Referred to in Brief, p. 517.) This chart is from R. VII, 4291A and is based on data shown in R. VII, 4192B-C, 4238-4260.



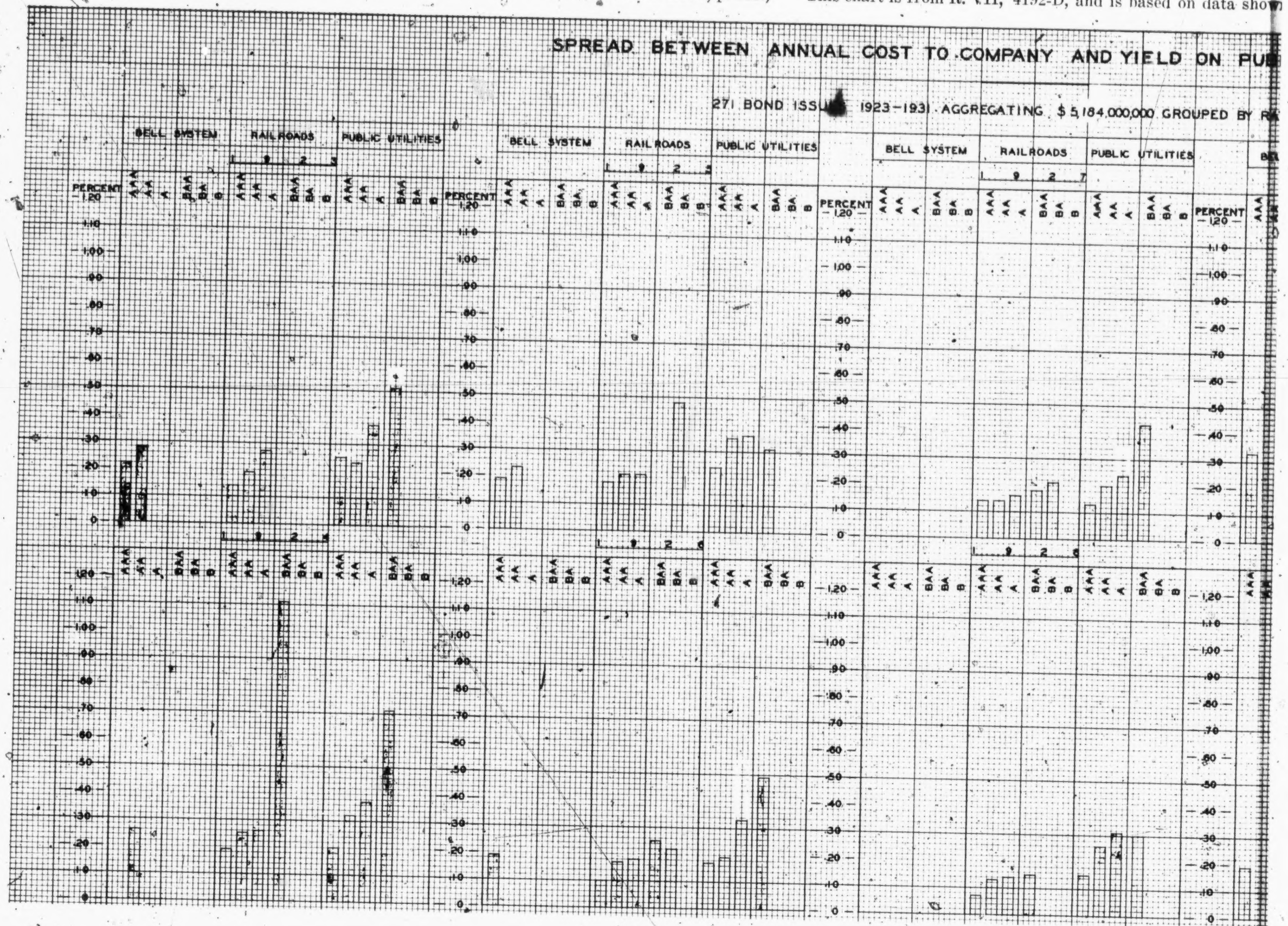
(... in Brief, p. 517.) This chart is from R. VII, 4291A and is based on data shown in R. VII, 4192B-C, 4238-4260.



(Referred to in Brief, p. 513.) This chart is from R. VII, 4192-D, and is based on data show

SPREAD BETWEEN ANNUAL COST TO COMPANY AND YIELD ON PUB

271 BOND ISSU[illegible] 1923–1931 AGGREGATING $5,184,000,000 GROUPED BY RA

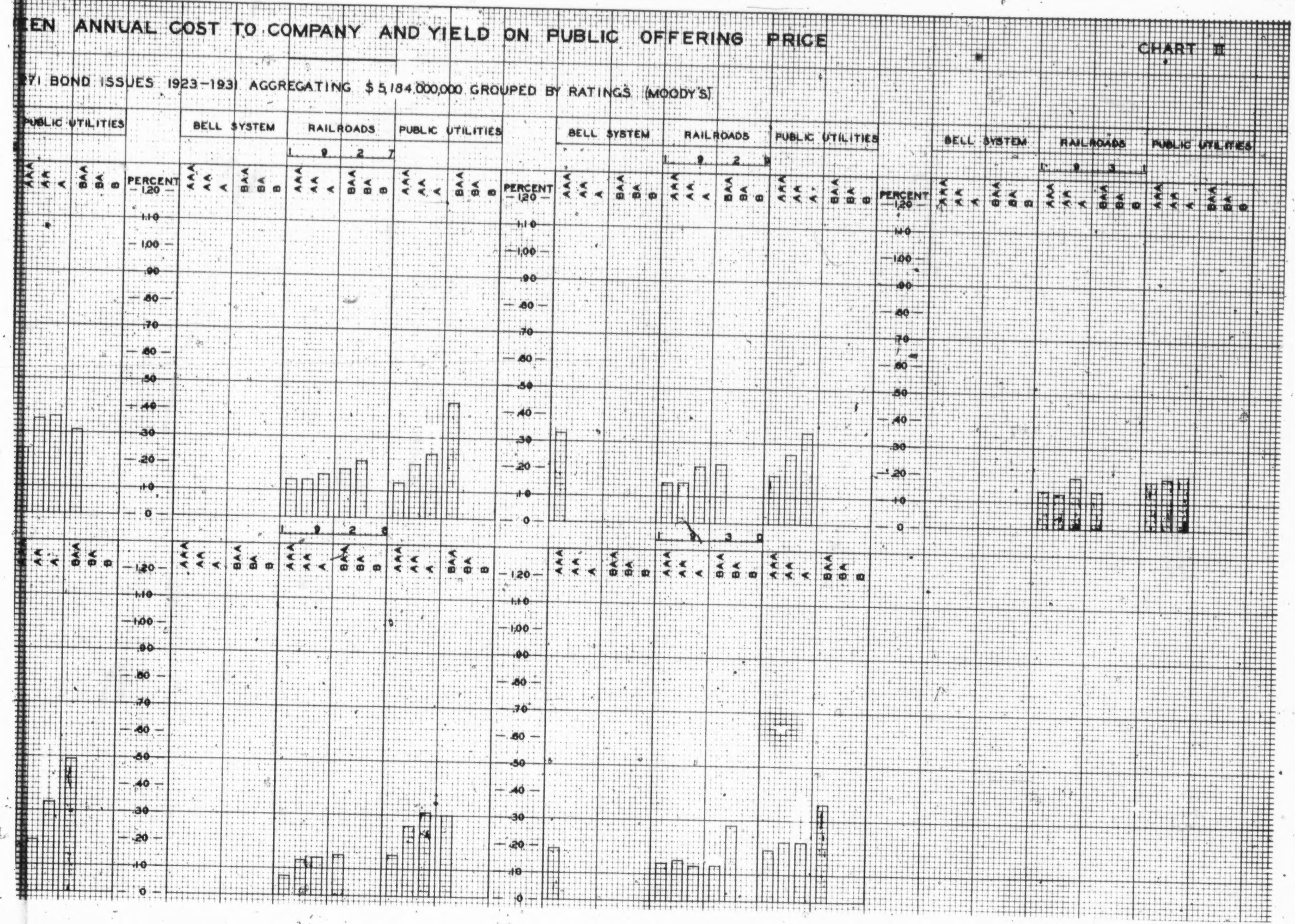


 This chart is from R. VII, 4192-D, and is based on data shown in R. VII, 4193-4195, 4235-4243.

EEN ANNUAL COST TO COMPANY AND YIELD ON PUBLIC OFFERING PRICE

CHART III

71 BOND ISSUES 1923–1931 AGGREGATING $5,184,000,000 GROUPED BY RATINGS (MOODY'S)



(Referred to in Brief, p. 512, 514.) This chart is from R. VII, 4196A, and is based on data shown in R. VII, 4197-4200, 42

TREND OF WEIGHTED AVERAGES OF BOND YIELDS ON PUBLIC OFFERING PRICE GROUPED BY RATINGS (MOODY'S)

(INVERTED SCALE)

829 ISSUES 1923-1931 AGGREGATING $13,809,000,000

YIELD PERCENT — BELL SYSTEM — RAILROADS — PUBLIC UTILITIES

720 ISSUES 1923-1931 AGGREGATING $11,347,000,000

EXCLUDING CONVERTIBLES AND ISSUES WITH STOCK PURCHASE WARRANTS

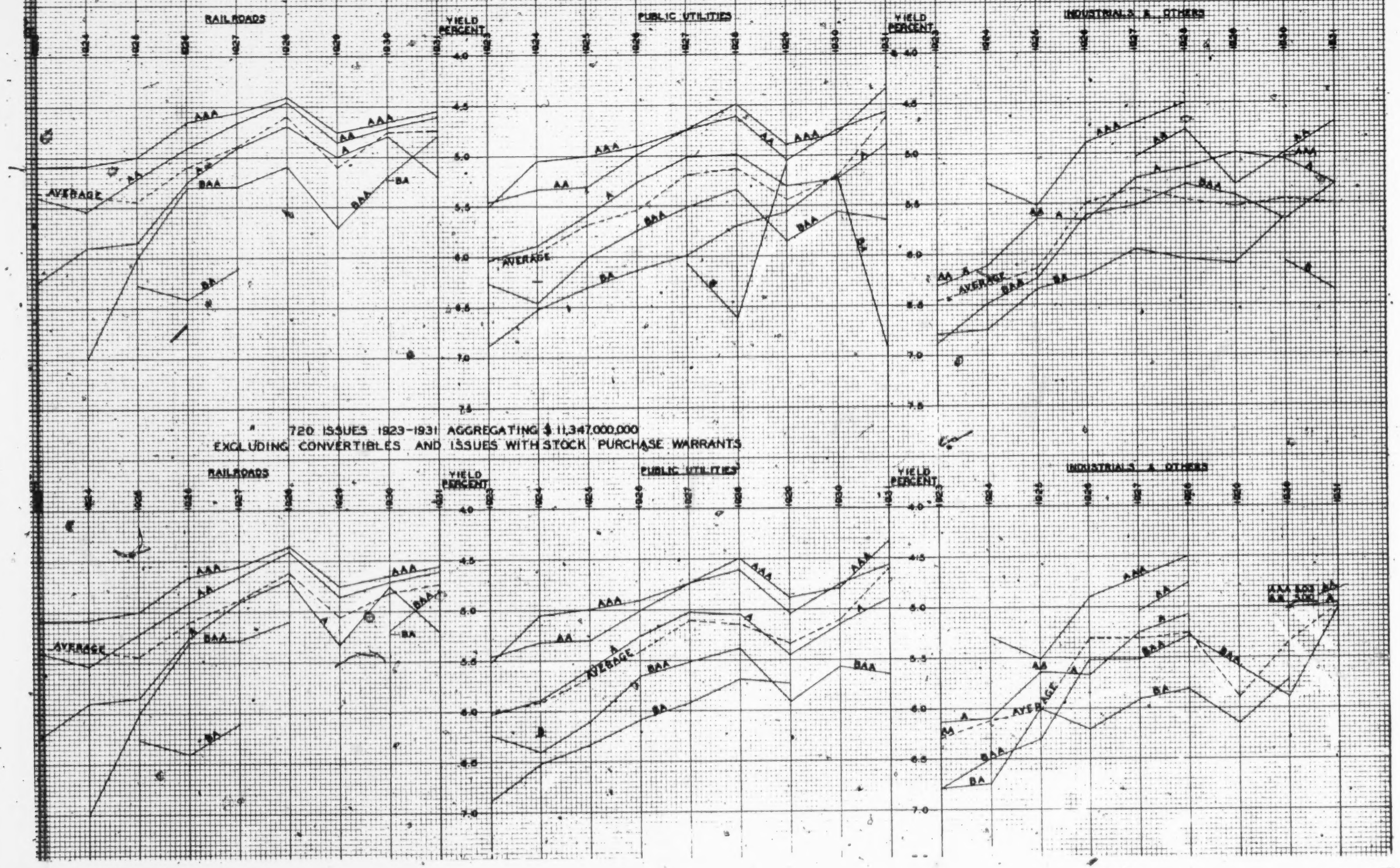
YIELD PERCENT — BELL SYSTEM — RAILROADS — PUBLIC UTILITIES

CHART IX.

TREND OF WEIGHTED AVERAGES OF BOND YIELDS ON PUBLIC OFFERING PRICE GROUPED BY RATINGS (MOODY'S)

(INVERTED SCALE)

829 ISSUES 1923-1931 AGGREGATING $13,809,000,000



(Referred to in Brief, pp. 476, 511-2.) This chart is from R. VII, 4190A, and

COST TO COMPANIES, YIELD TO PU
COST AND YIELD ON OFFERI

BELL SYSTEM

RAILROADS

PERCENT

4.0 4.5 5.0 5.5 6.0 6.5 7.0 7.5

1921 1922 1923 1924 1925 1926 1927 1928 1929 1930 1931

5.17 5.14 5.44 5.48 5.28 4.93 5.00 5.02 5.33 5.22

.23 .23 .27 .26 .21 .15 .19

NO ISSUES

A

B

A - YIELD TO PUBLIC
B - COST TO COMPANIES

5.09 5.47 5.13 5.19 5.44 5.02

1921 1922 1923 1924 1925 1926

6.77 5.67 5.32 5.59 5.38 5.10

.32 .22 .18 .23 .23 .16

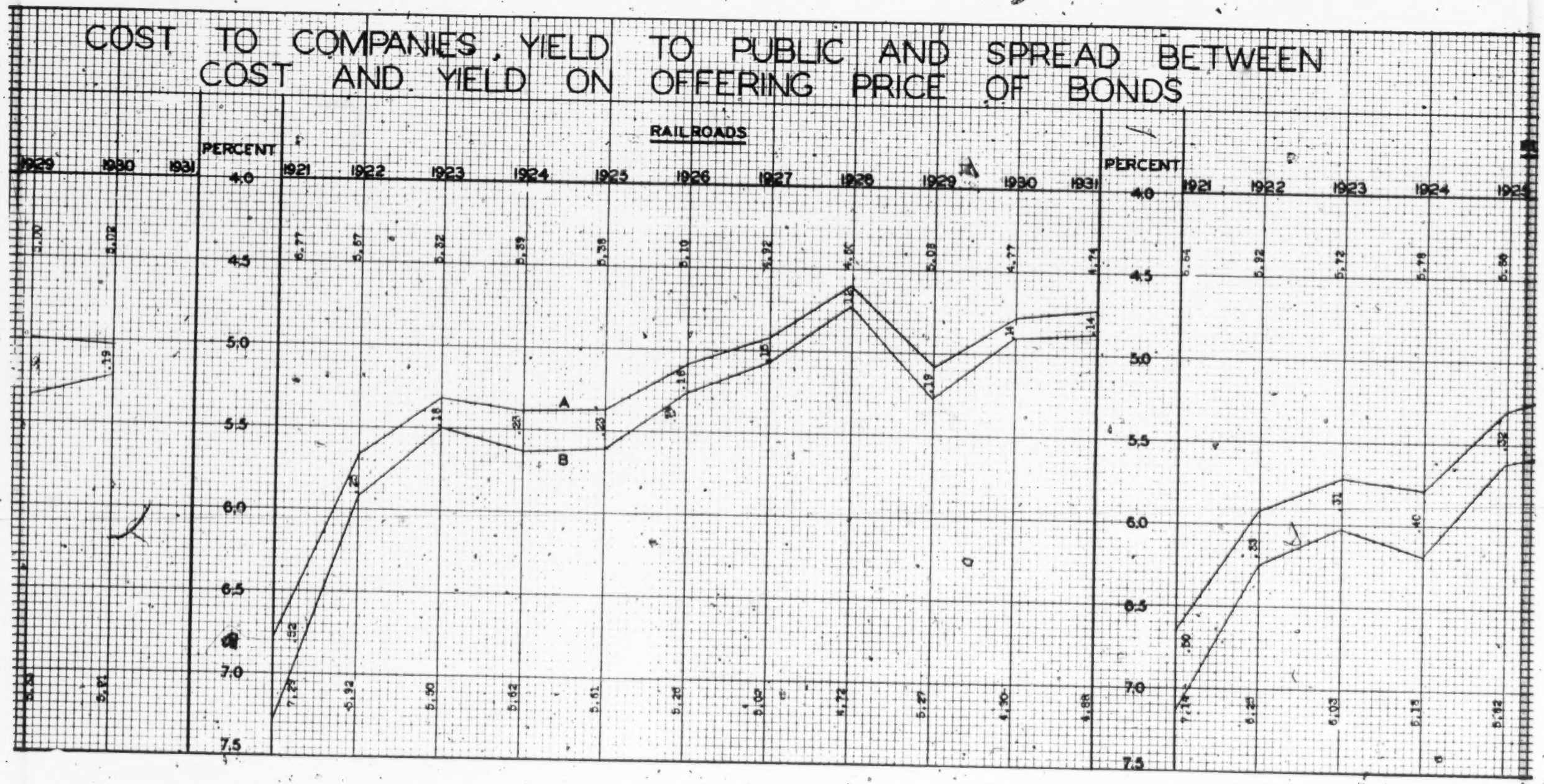
A

B

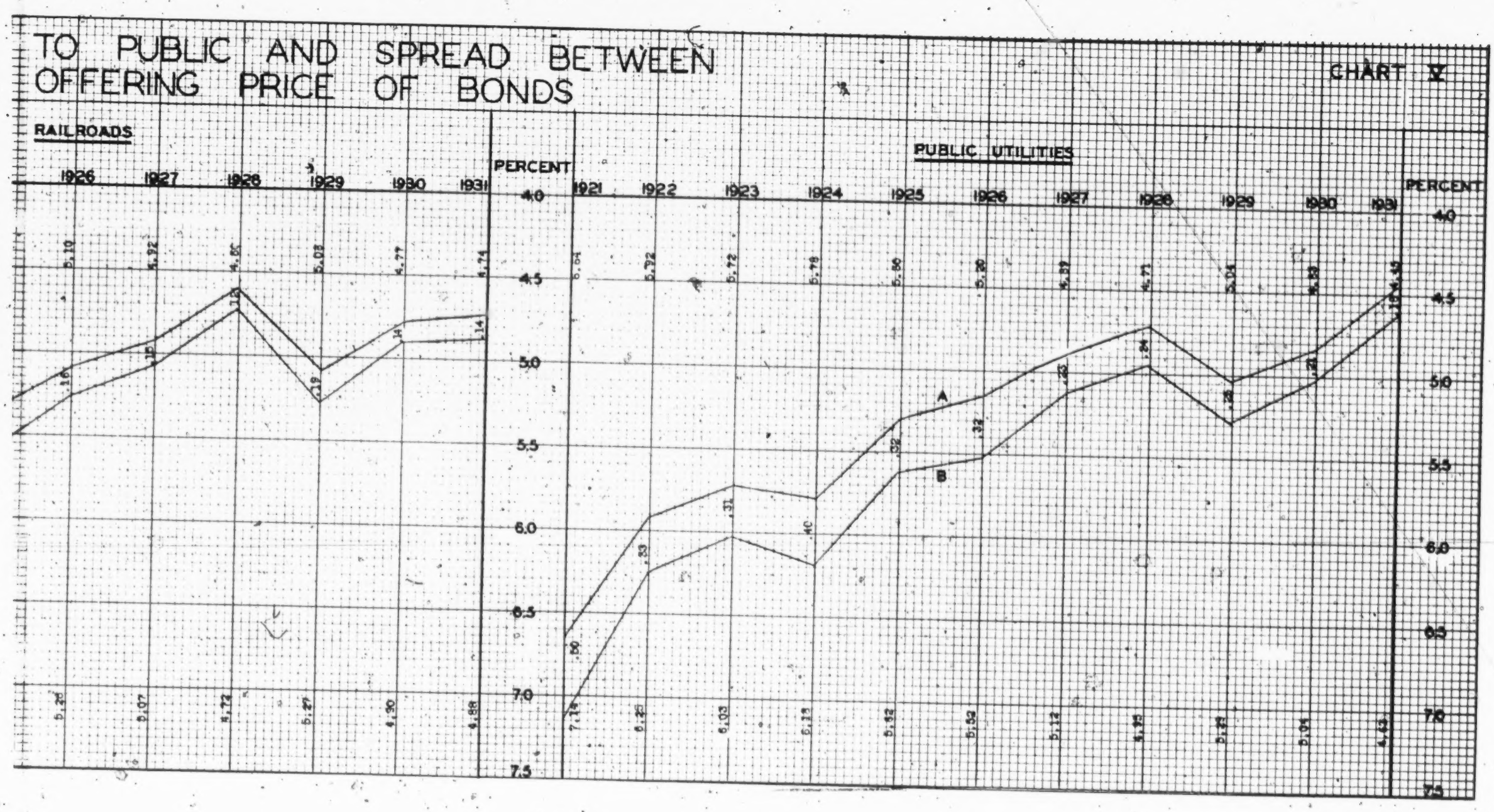
7.22 5.93 5.90 5.62 5.61 5.26

330 BOND ISSUES, YEARS 1921-1931 AGGREGATING $6,138,000,000.

(Referred to in Brief, pp. 476, 511-2.) This chart is from R. VII, 4190A, and is based on data shown in R. VII, 4191, 4197-4200, 4235-4243.



VII, 4190A, and is based on data shown in R. VII, 4191, 4197-4200, 4235-4243.



(Referred to in Brief, p. 516.) This chart is from R. VII, 4261A, and is based on

TREND OF AVERAGES OF YIELDS OF BONDS ISSUED EACH YEAR GROUPED BY RATINGS (MOO

(INVERTED SCALE)

BELL SYSTEM

RAILROADS

YIELD PERCENT

4.0 4.5 5.0 5.5 6.0 6.5 7.0 7.5 8.0 8.5 9.0

1923 1924 1925 1926 1927 1928 1929 1930 1931

AAA

AA

A

BAA

BA

B

YIELDS ABOVE 9% NOT INDICATED

ed to in Brief, p. 516.) This chart is from R. VII, 4261A, and is based on data shown in R. VII, 4216B, 4336a-4340g.

TREND OF AVERAGES OF YIELDS OF BONDS ISSUED IN YEARS 1923 TO 1931 RESOLD IN EACH YEAR GROUPED BY RATINGS (MOODY'S) IN YEAR OF RESALE

(INVERTED SCALE)

RAILROADS

PUBLIC UTILITIES

INDUSTRIALS

YIELD PERCENT

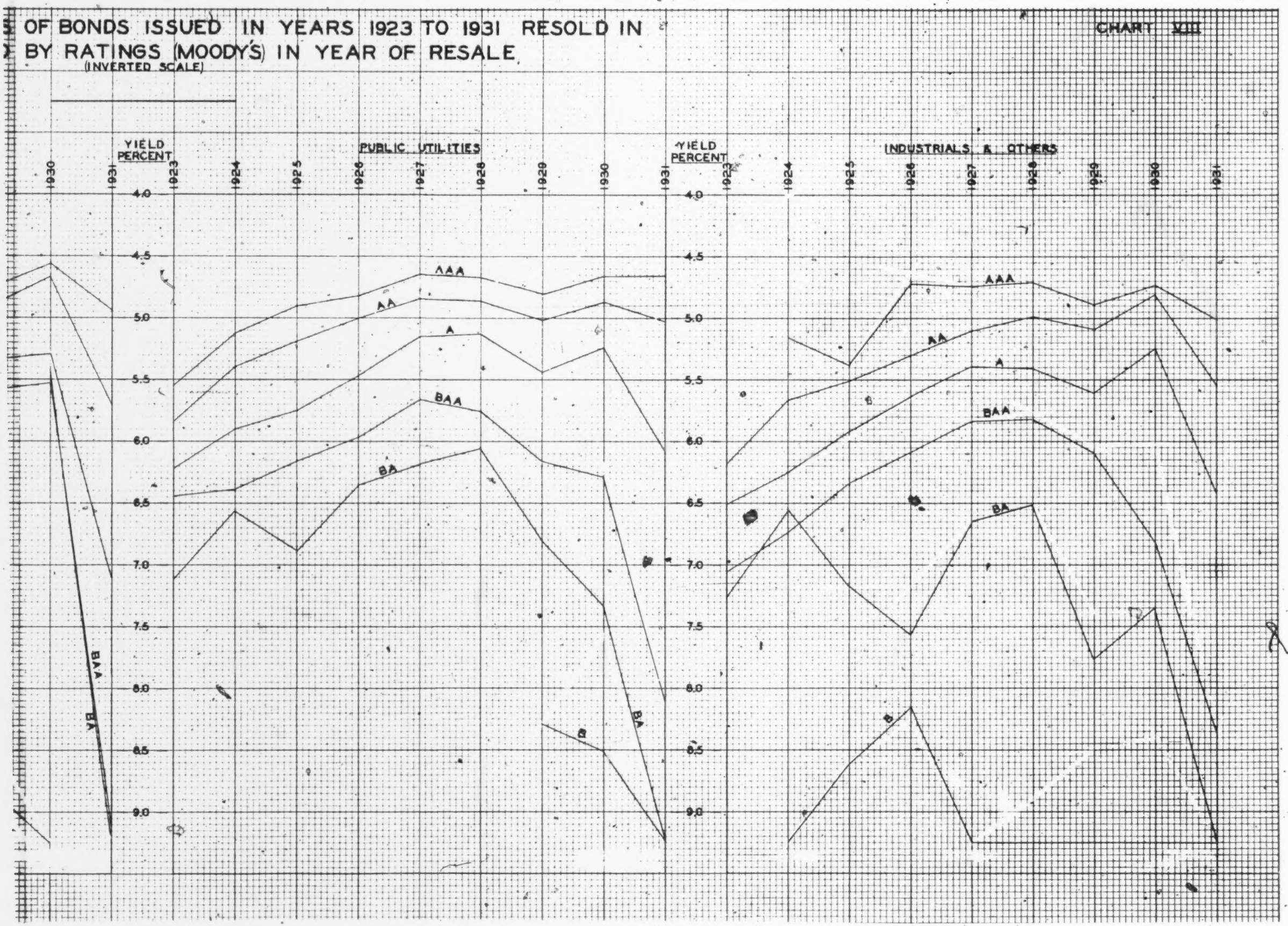
1924 1925 1926 1927 1928 1929 1930 1931

4.0 4.5 5.0 5.5 6.0 6.5 7.0 7.5 8.0 8.5 9.0

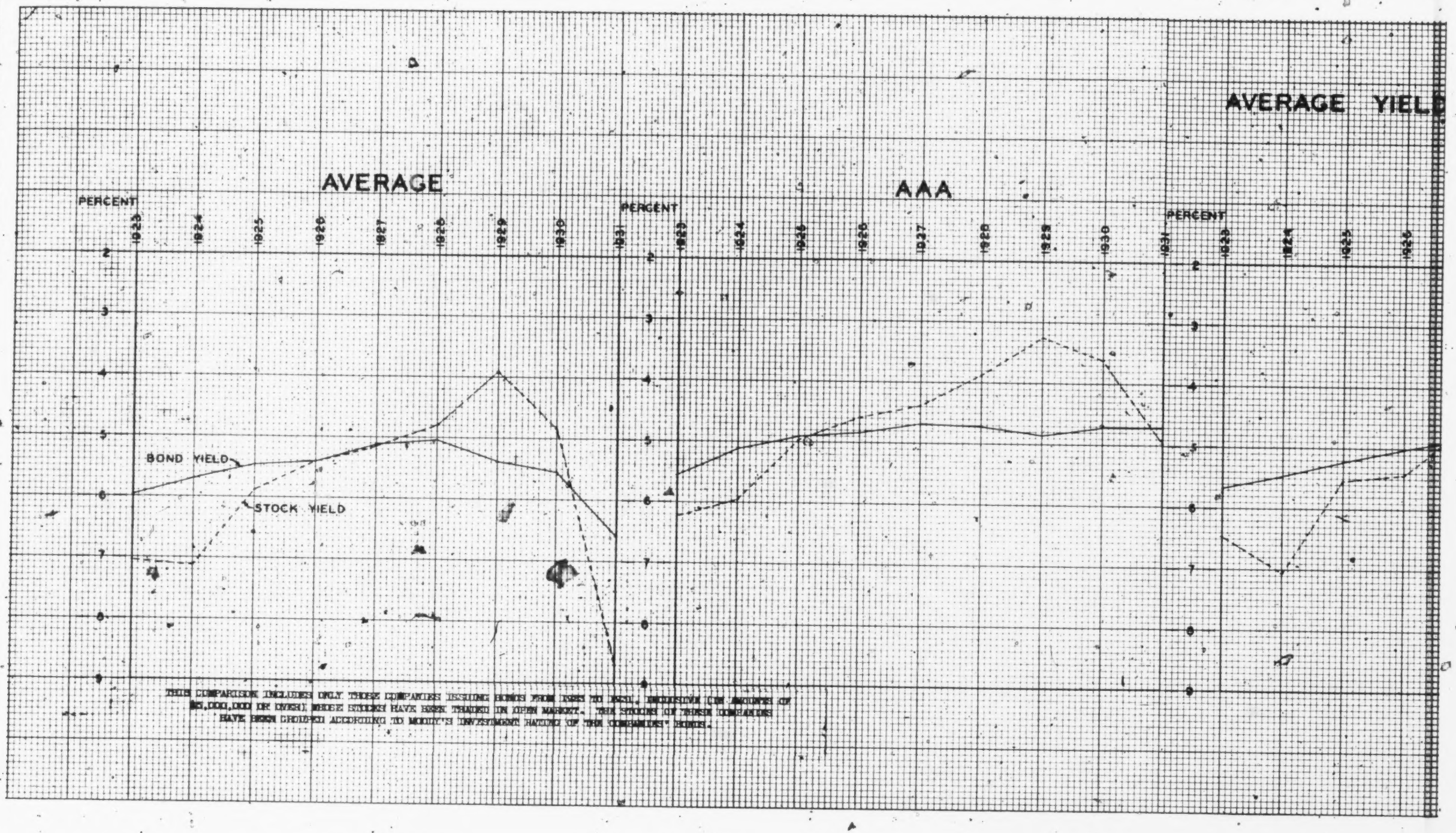
AAA AA A BAA BA B

CHART VIII

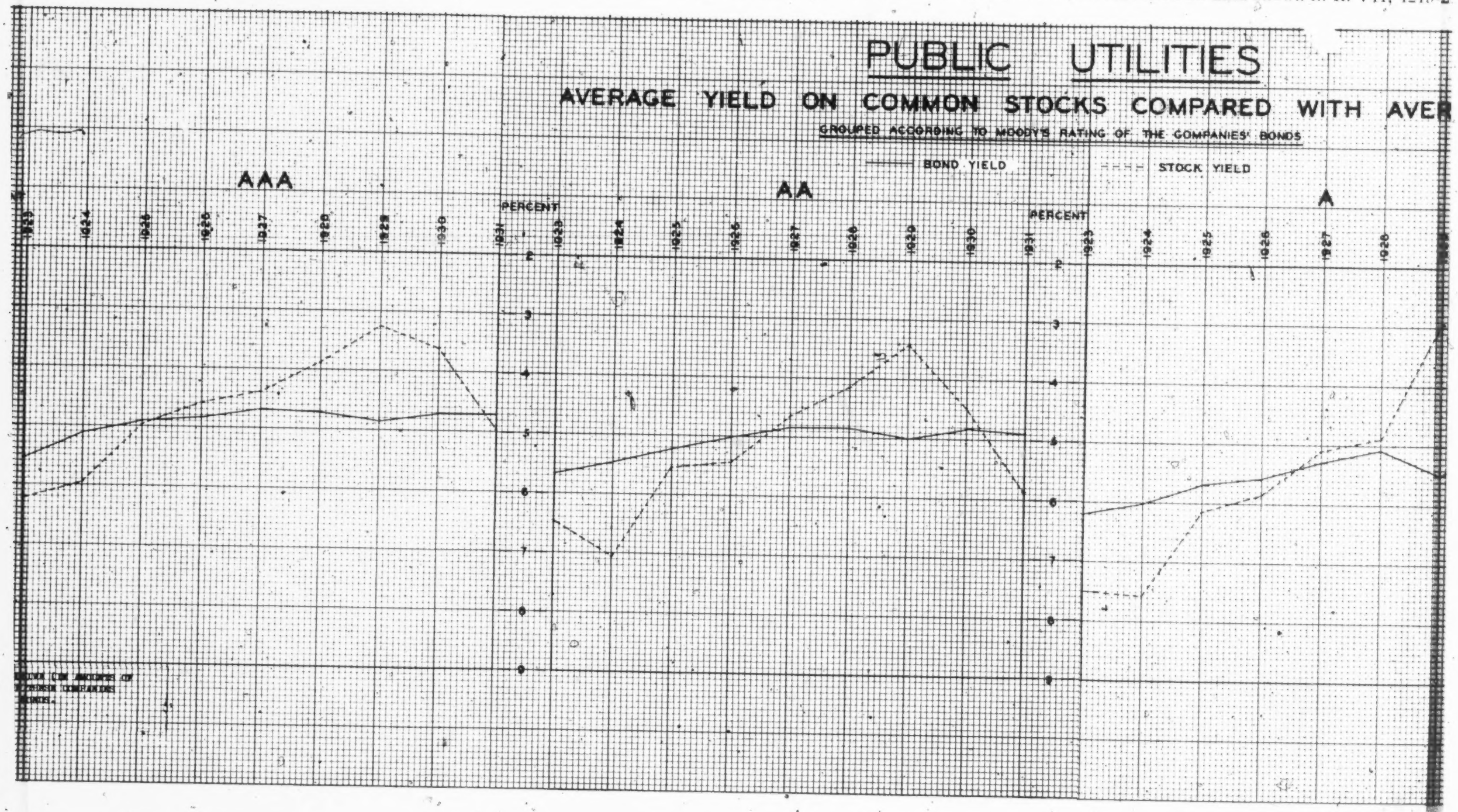
OF BONDS ISSUED IN YEARS 1923 TO 1931 RESOLD IN
BY RATINGS (MOODY'S) IN YEAR OF RESALE
(INVERTED SCALE)



(Referred to in Brief, pp. 519,



(Referred to in Brief, pp. 519, 542.) This chart is from 4218D, and is based on data shown in R. VII, 4219-2



m 4218D, and is based on data shown in R. VII, 4219-21.

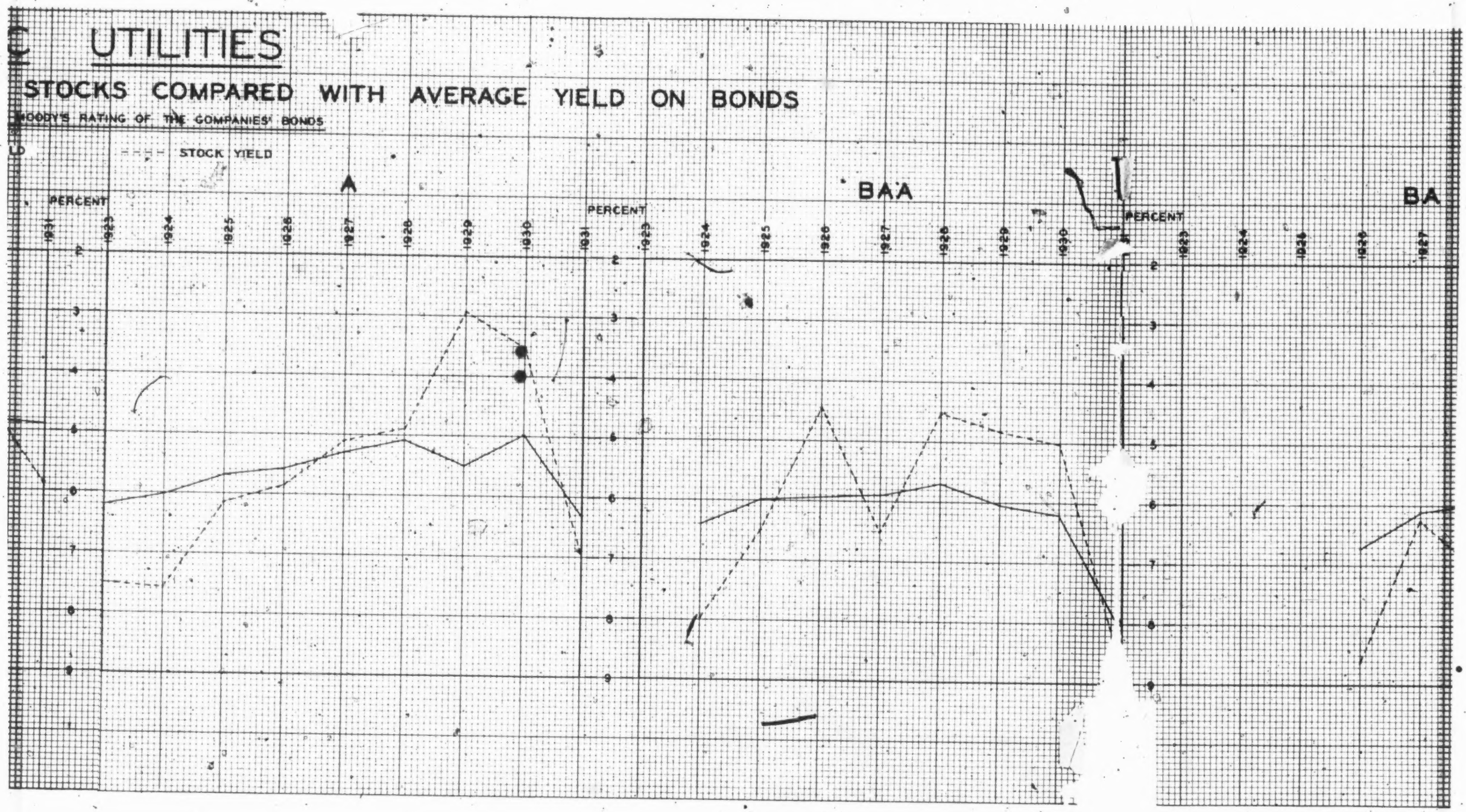


CHART IX

ELD ON BONDS

BAA

PERCENT

1923 1924 1925 1926 1927 1928 1929 1930

BA

PERCENT

1923 1924 1926 1927 1928 1929 1930 1931

STOCKS 14.38 %
BONDS 10.01 %